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# Workshop I

## Challenges of an Aging Population: Retirement Gaps and Elder Care



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# Retirement Security and Old-Age Poverty among Women

Siavash Radpour

Stockton University &  
Schwartz Center for Economic Policy Analysis (SCEPA) at The New School

# In this presentation:

- Summary results from:
  - “Old-Age Poverty: Women’s Retirement Income Gap”.
    - Joint report by SCEPA and **Martha S. Jaimes (IWPR)**.
    - Data: Survey of Income and Program Participation (SIPP) 2022
    - IWPR's research was supported by JPMorgan Chase Foundation.
  - “Older Workers and Retirement Chartbook”.
    - Joint project by SCEPA and **Monique Morrissey (EPI)**.
    - Data: Survey of consumer Finance 2019 – Health and Retirement Study 2018
    - Supported by RRF Foundation for Aging.

# Key points

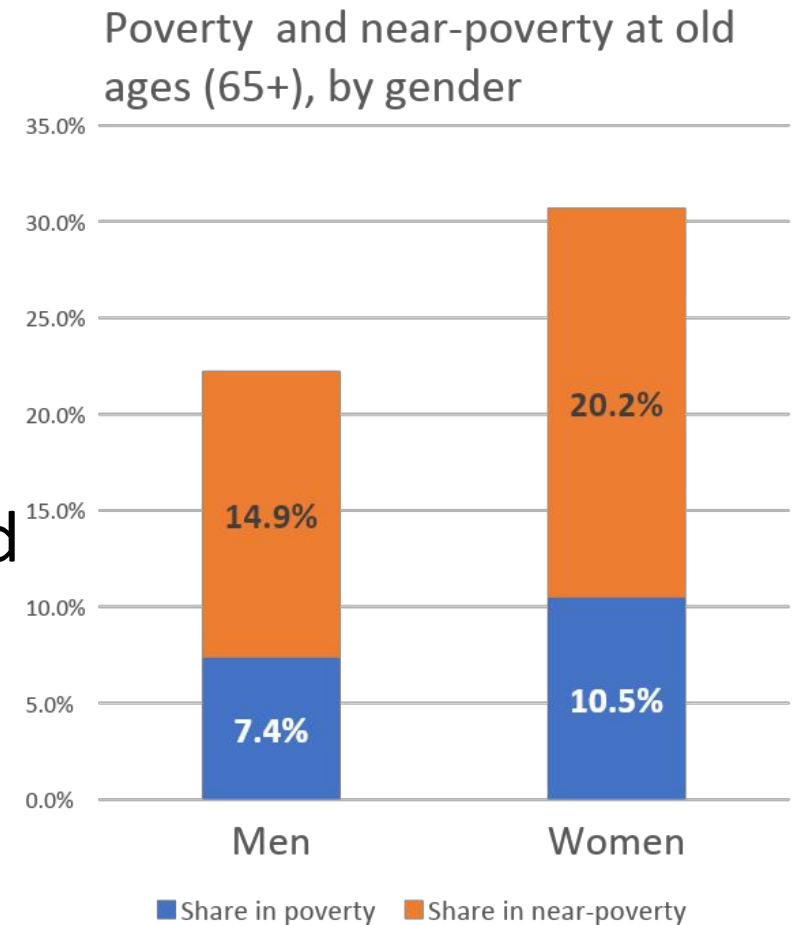
- The gender gap in retirement income is larger than gender wage gap.
- The gender gap in retirement income leads to higher poverty rates among older women.
- Facing higher risk of poverty, older women who need to work are more likely to be in physically demanding jobs.

# Higher old-age poverty among women

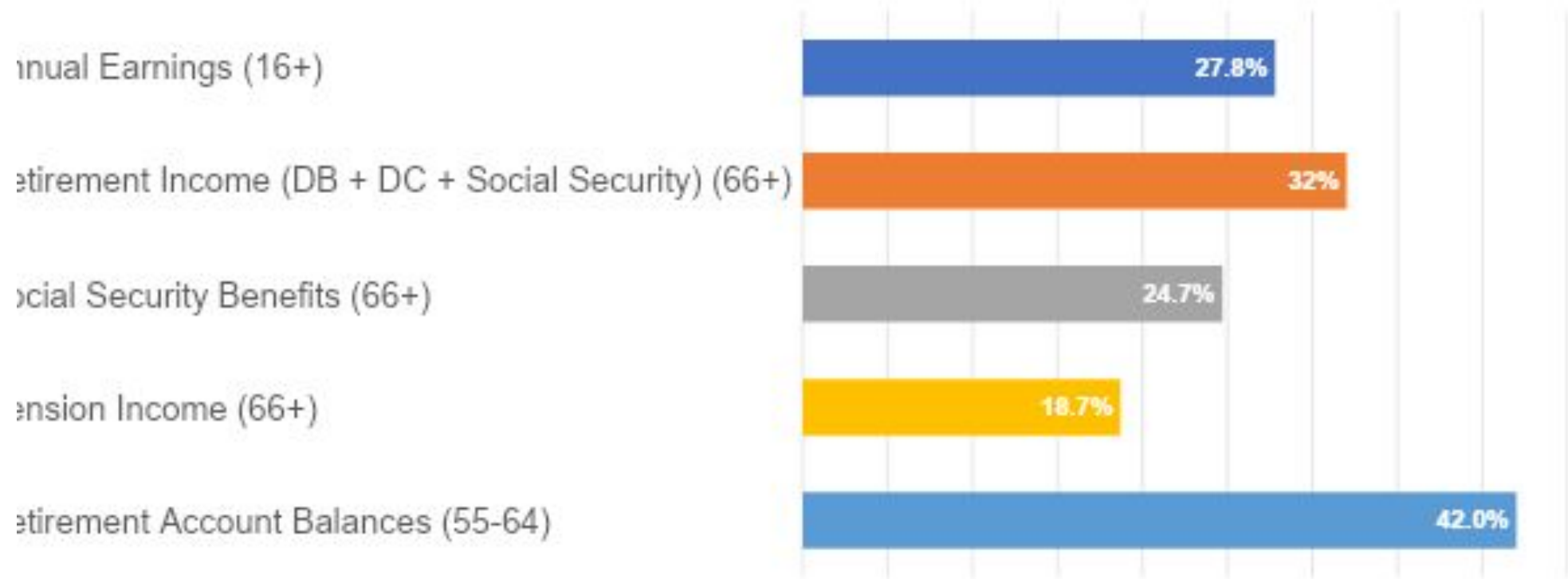
- Married, divorced, separated, and widowed women have higher rates of poverty and near-poverty compared to men with similar marital status.
- Older women are more likely than older men to be divorced, separated, or widowed – which have higher poverty rates compared to married individuals.

**Source:** IWPR and SCEPA calculations based on SIPP 2022 data.

**Note:** Sample includes individuals ages 65 and over. Poverty is defined as living in a household with income lower than 100% of FPL. Near-poverty is defined as living in a household with income less than 200% of FPL.



# Gender Retirement Gap (I)



**Source:** IWPR and SCEPA calculations based on SIPP 2022 data.

**Note:** All gaps are calculated using the medians for women and men. Samples for annual earnings, Social Security benefits, pension income, and retirement account balances are limited to those with non-zero values. Sampling weights.

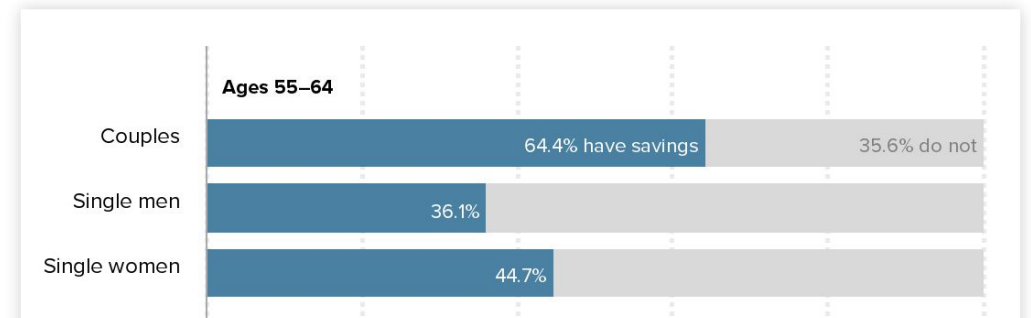
# Gender Retirement Gap (II)

- Gender lifetime income gap is larger than gender annual income gap and gender wage gap.
- Social Security is a big equalizer, despite reflecting the lifetime income gap.
- Older women are more likely than older man to rely solely on Social Security as the only source of retirement income.
- Women need more in retirement savings due to their higher life-expectancy.
- A main advantage of pensions over account-type retirement plans – specially for women – is providing life-time income.

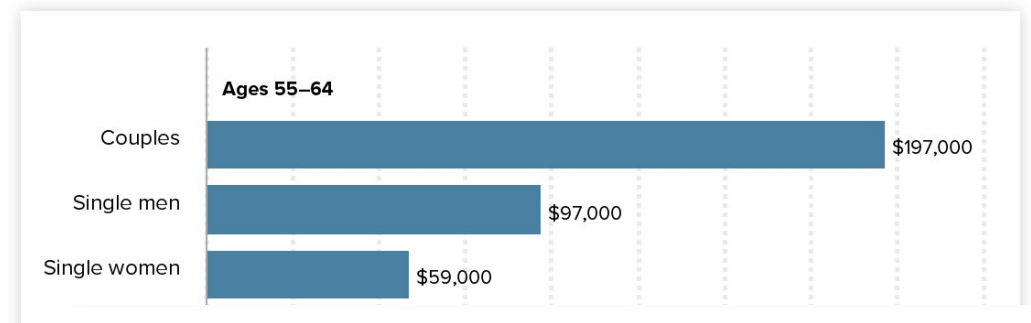
# Gender Retirement Savings Gap

- While older single women are more likely than older single men to have retirement savings, couples are more likely than either to have retirement account savings.
- Some factors contributing to the gender retirement savings gap:
  - Gender wage gap.
  - Gap in saving capability) caused by the wage gap.
  - Time out of work for caregiving .
  - Caregiving and widowhood expenses.

Share of older households with retirement account savings, by gender/marital or domestic partnership status and age, 2019



Median account balances of older households with retirement account savings, by gender/marital or domestic partnership status and age, 2019



**Notes:** Retirement account savings include funds in 401(k)-style defined contribution plans and in IRAs, but not in defined benefit pension plans.

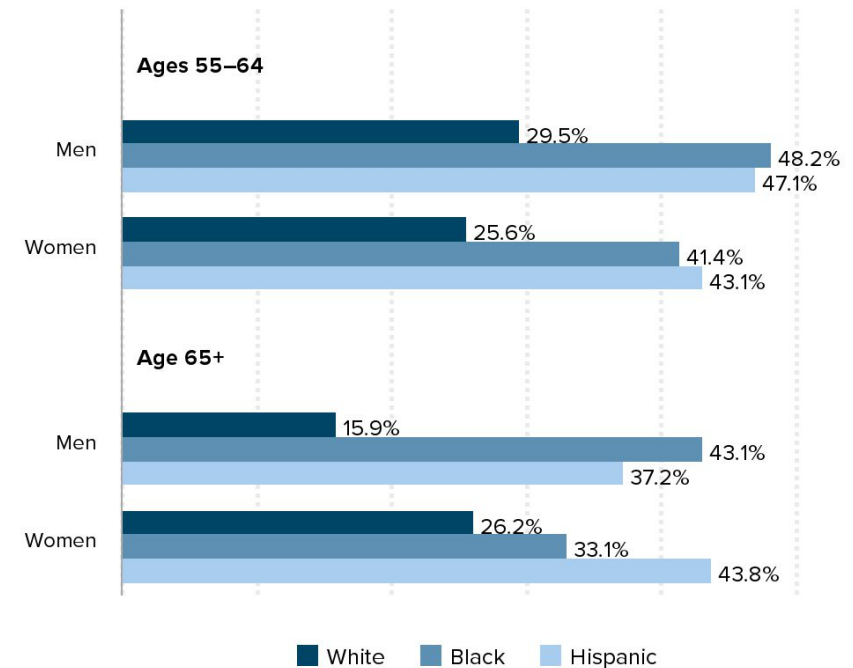
**Source:** Economic Policy Institute (EPI) and Schwartz Center for Economic Policy Analysis (SCEPA) analysis of Survey of Consumer Finances 2019 microdata (Federal Reserve 2022a).



# Lack of retirement income keeps older workers in bad jobs

- Older workers perform more physically taxing work than might be expected.
- The share of workers in physically demanding jobs stays high among the small share of women who continue working at older ages.
- Hispanic women, who are more at risk of poverty at old ages, are also more likely to work in physically demanding job.

Share of older workers in physically demanding jobs, by race and ethnicity, gender, and age, 2018



**Notes:** Workers are in a physically demanding job if they answered that their job requires “lots of physical effort” “all” or “most” of the time. Hispanic refers to Hispanic of any race, while white and Black refer to non-Hispanic whites and non-Hispanic Blacks.

**Source:** Economic Policy Institute (EPI) and Schwartz Center for Economic Policy Analysis (SCEPA) analysis of Health and Retirement Study data (RAND 2022; University of Michigan 2022).

# Key takeaways

- The gender gap in retirement income is larger than gender wage gap – primarily because of part-time work and other interruptions in women’s employment.
- The gender gap in retirement income leads to higher poverty rates among older women.
- Facing higher risk of poverty, older women who need to work are more likely to be in physically demanding jobs.

# The Role of Family Proximity in the Dynamics of Care After Age 70

Care Conference 2024 – April 5, 2024

David Knapp (USC)

Joint work with Péter Hudomiet, Michael Hurd, and Susan Rohwedder (RAND)

**USC** Dornsife

*Center for Economic  
and Social Research*

# Caring is a personal and social issue



Care needs arise as people age



Longer lives mean longer periods with care needs



How care is provided reflects personal circumstance and need



Family caregivers are typically primary caregivers, preferred, and less expensive than paid care



Those without family caregivers may have unmet needs



Care needs and caregiving are uncertain outcomes

# Policy landscape of care in US

- Long-term care services are privately supported
- Except, if the individual with care needs has limited means

## Medicaid



States administer – must provide institutional care; home and community-based services (HCBS) are optional, but common



Requires individuals to apply



Requires sufficient care needs (e.g., need help with at least 2-3 activities of daily living – ADLs)



Medicaid-provided HCBS typically requires *nursing facility level of care*

# Care dynamics are poorly understood

- Care needs are often not anticipated
- Care received may reflect circumstances when need first arises
- Care needs and care received evolve over time (care dynamics)
- Dynamics key to understanding care outcomes and cost
  - e.g., earlier interventions may delay the emergence of new needs
- Data issue: most data captures a point-in-time
- Without data capturing care dynamics, we worry about *selection*

# Data: Health and Retirement Study

- Panel study started at University of Michigan in 1992



Representative of  
households age 50+



Interview every 2 years,  
plus exit interview  
(death)



Couples are both  
interviewed and  
followed over time

- **Key elements for care dynamics**
  - Asks about ADL difficulties at every interview
  - Captures individual characteristics and circumstances at every interview
- **Enables observation of first ADL difficulty and subsequent care needs and care received**
  - Contextual information (e.g., family living in proximity) prior to first ADL difficulty

# Approach

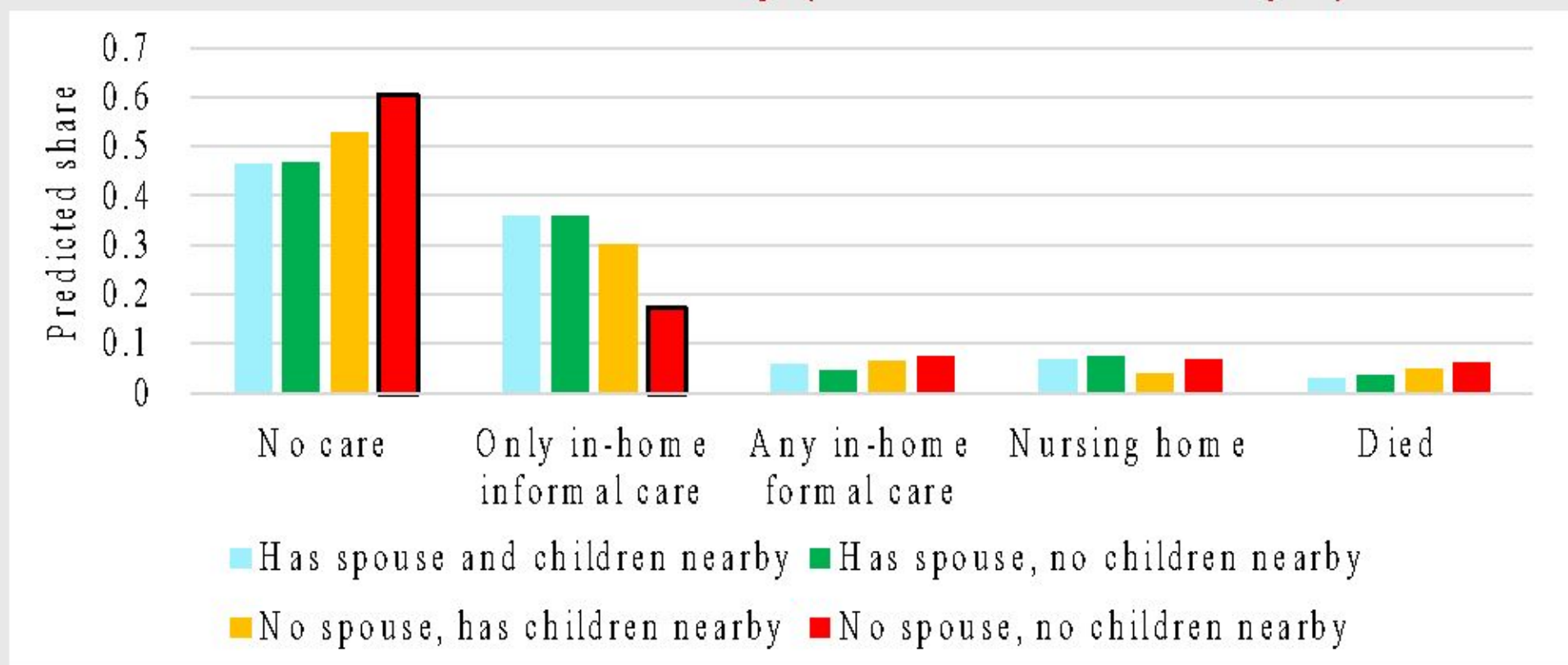
- Restructure data around first ADL difficulty - before/after for each person
- Model: Multinomial logit with 5 alternative **care outcomes**
  - No care
  - Unpaid care
  - Some paid care in a home environment
  - Nursing home care
  - Death
- Controls (measured prior to first ADL difficulty): family proximity; number of ADL difficulties at first onset; age, birth year, race, ethnicity, education, household income and assets, home ownership, and health and long-term care insurance coverage

**Use estimated model to predict care outcomes by sex and family proximity after ADL onset (up to 4 interviews or ~8 years)**



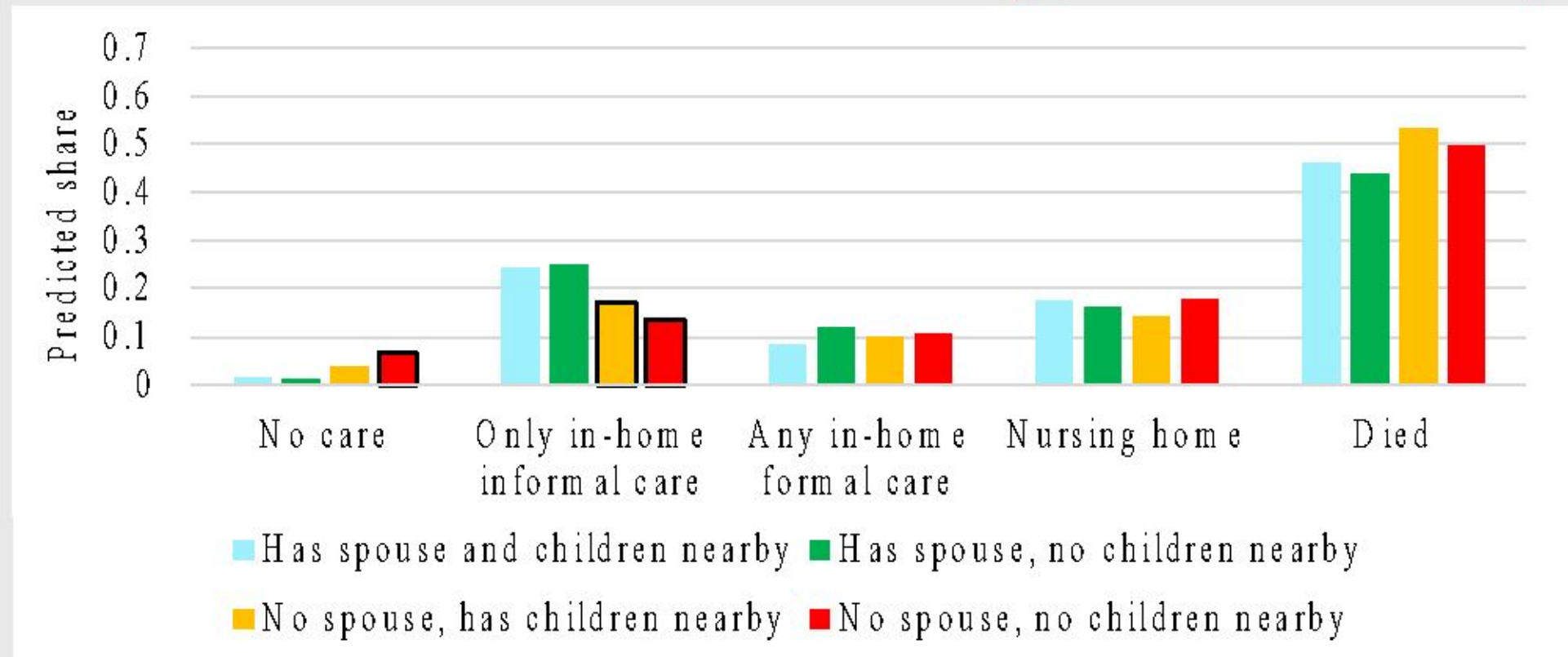
# Going without care is more common for those without family nearby

Women with one ADL at first difficulty (48% of female sample)



# More needs at onset reduces likelihood of no care, but gaps remain

Women with three or more ADLs at first difficulty (37% of female sample)



# Key takeaways and policy implications

- Family proximity is critical to providing some care at initial onset
  - Families jump in to provide care when needed
  - Those without family are more likely to go without help
- **Most initial difficulties are likely insufficient to qualify for care, even if Medicaid eligible**
  - Role for targeted policies aimed at filling unmet needs
  - Possibility of leveraging family care as an early intervention
- **Thinking about retirement gaps and elder care...**
  - How do these unexpected care demands affect adult children?
  - Do people have realistic expectations regarding how care needs will progress and what care public programs will provide?
  - Are people prepared to shoulder the financial burden of care?

# Universal Long-term Care Reform and the Labor Supply of Caregivers: Evidence from Korea

Selin Seçil Akın<sup>1</sup>, Sung Ah Bahk<sup>1</sup>, Lídia Brun<sup>2</sup>,  
Ignacio González<sup>1</sup>, and Aina Puig<sup>1</sup>

<sup>1</sup>American University

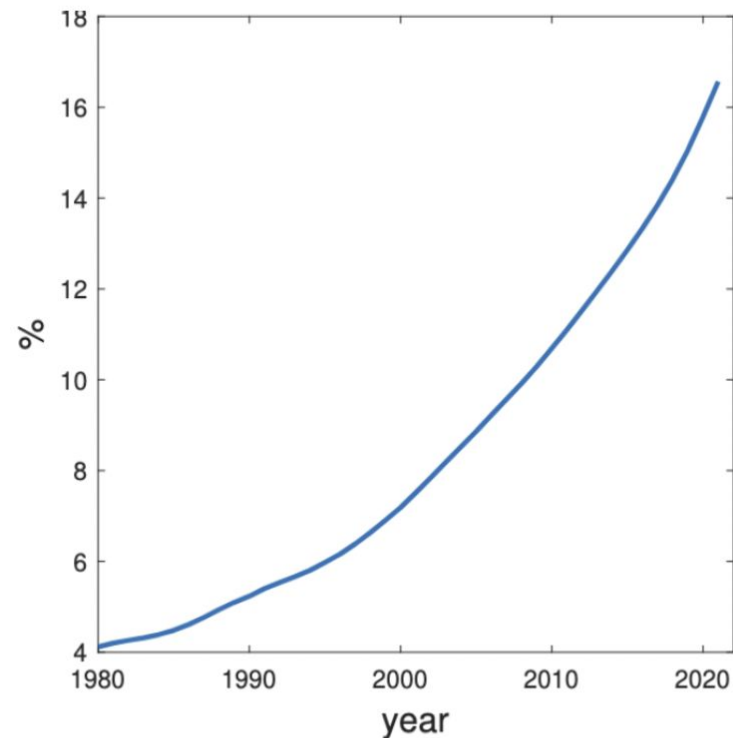
<sup>2</sup>European Commission

April 5, 2024

# Motivation

- South Korea's population is aging rapidly
  - In 2020, 15.9% of the Korean population was aged 65 years or older, a proportion that is expected to reach 37.0% by 2050 (Ga, 2020)

Figure 1: Share of Population Aged 65 or Above



**Source:** World Bank's World Development indicators for South Korea, 1980-2021

# Our Paper

- This paper aims to evaluate the employment effects for caregivers resulting from the implementation of the LTCI system in Korea.
- Questions:
  - Does LTCI reform affect family caregiver's labor supply?
  - What is the marginal effect of LTCI benefits?
  - Does it have gender-specific effects?

# Long-Term Care Insurance (LTCI) System

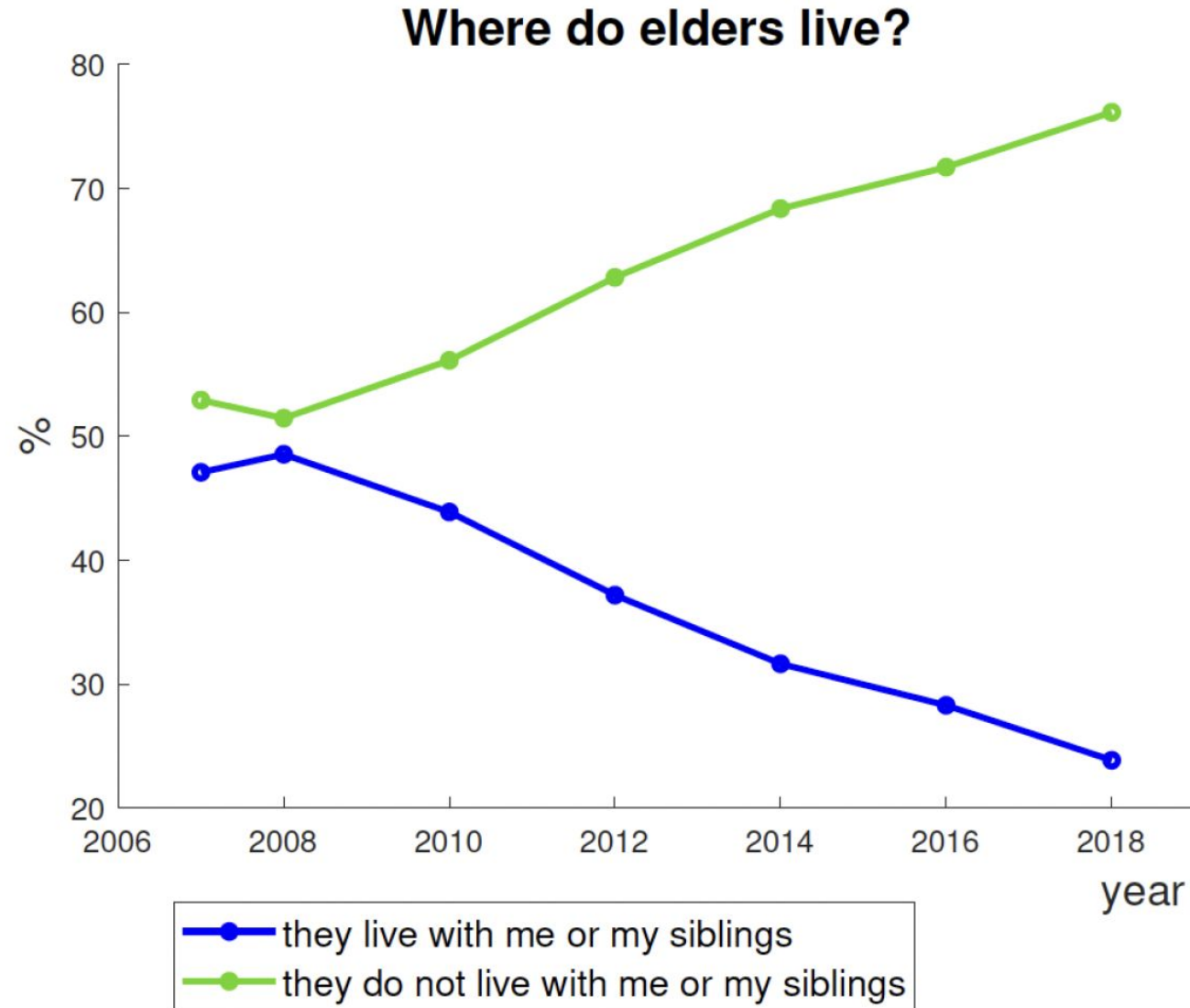
- Universal system
  - All Koreans aged 65 or older are eligible
  - Not like European countries (e.g. Germany developed LTCI for people with disabilities)
  - A big inter-generational transfer program
- Benefits
  - Institutional Care (with worse health conditions)
  - At-home Care: bathing, nursing, day and night care, short-term care, assistive devices, and etc.
  - Cash benefits in exceptional cases

# Long-Term Care Insurance (LTCI) System

- Finance
  - Mandatory LTCI contribution (60-65%)
  - Tax subsidies (20%)
  - Co-payment by LTCI beneficiaries (0-20%): Varies by service type. Discounted for low-income people.
- Five-level System
  - Updated from three-level system in 2014
  - Eligibility is determined by a standardized 52-item functional assessment tool.
  - Level 1 (completely dependent) to level 4 (moderately dependent)
  - Level 5 (a special level for people with dementia with a lighter physical dependency)

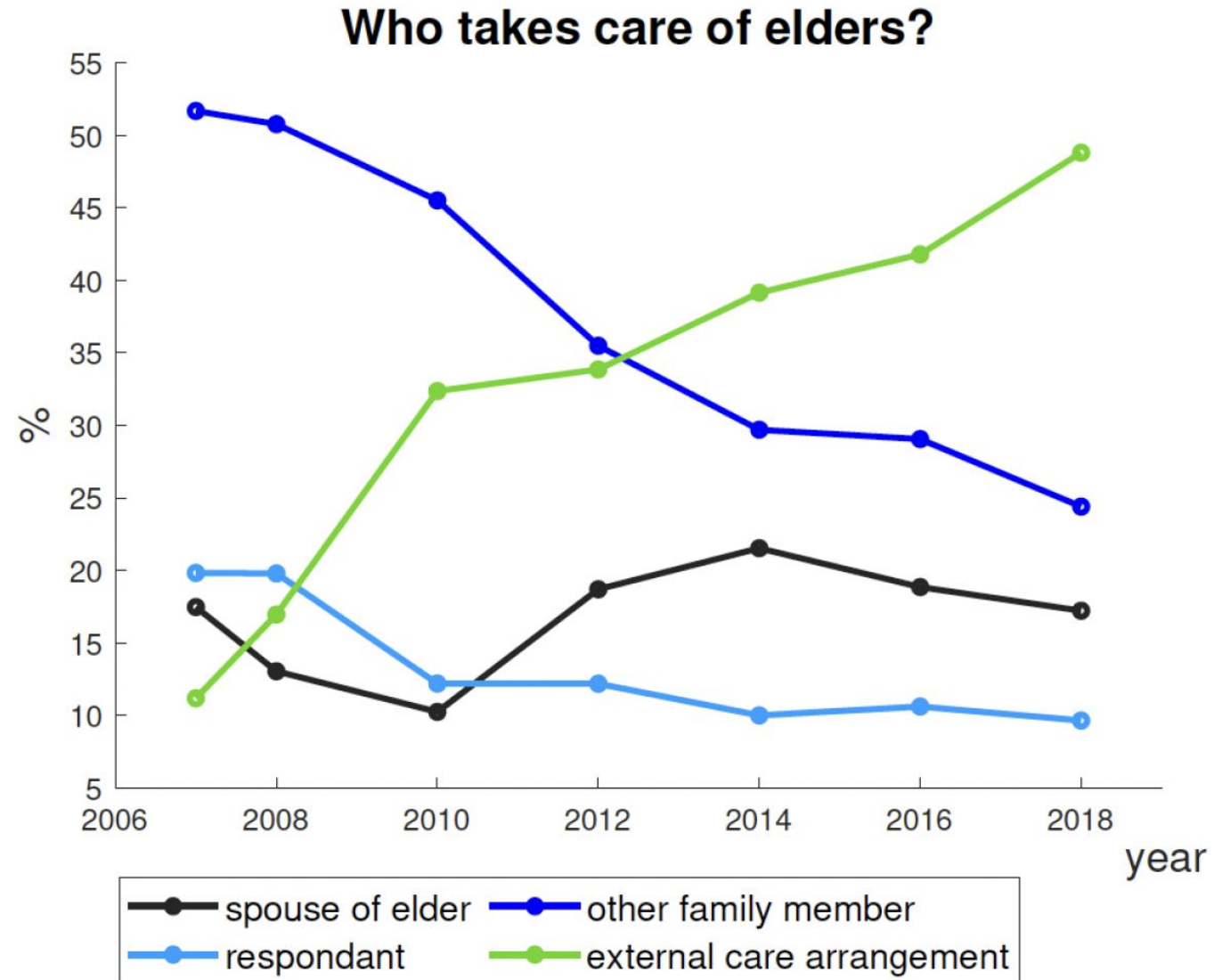


Figure 2: Household arrangements over time



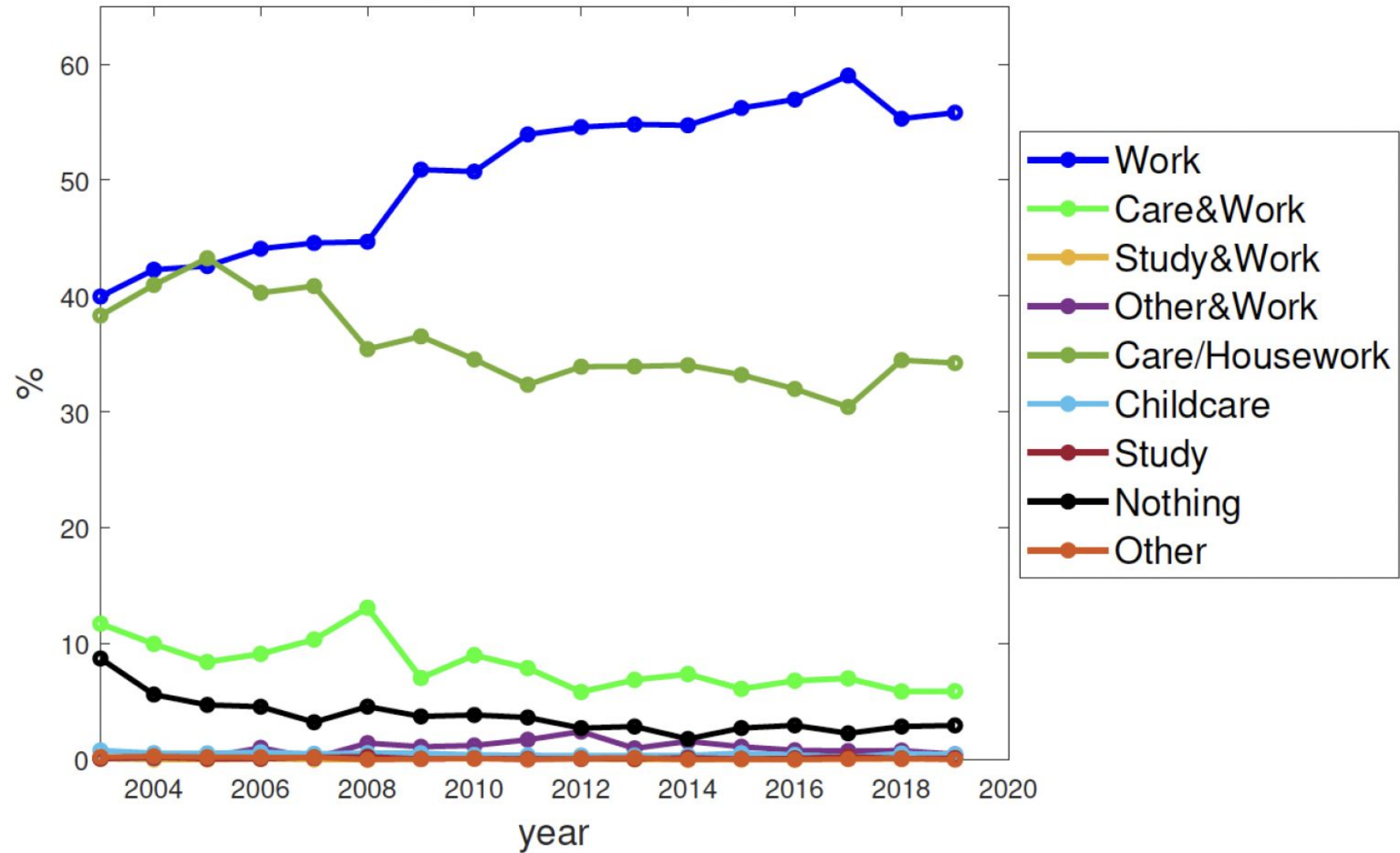
**Source:** Korean Longitudinal Survey of Women and Families (KLoWF), 2007-2018.

Figure 3: Care arrangements over time



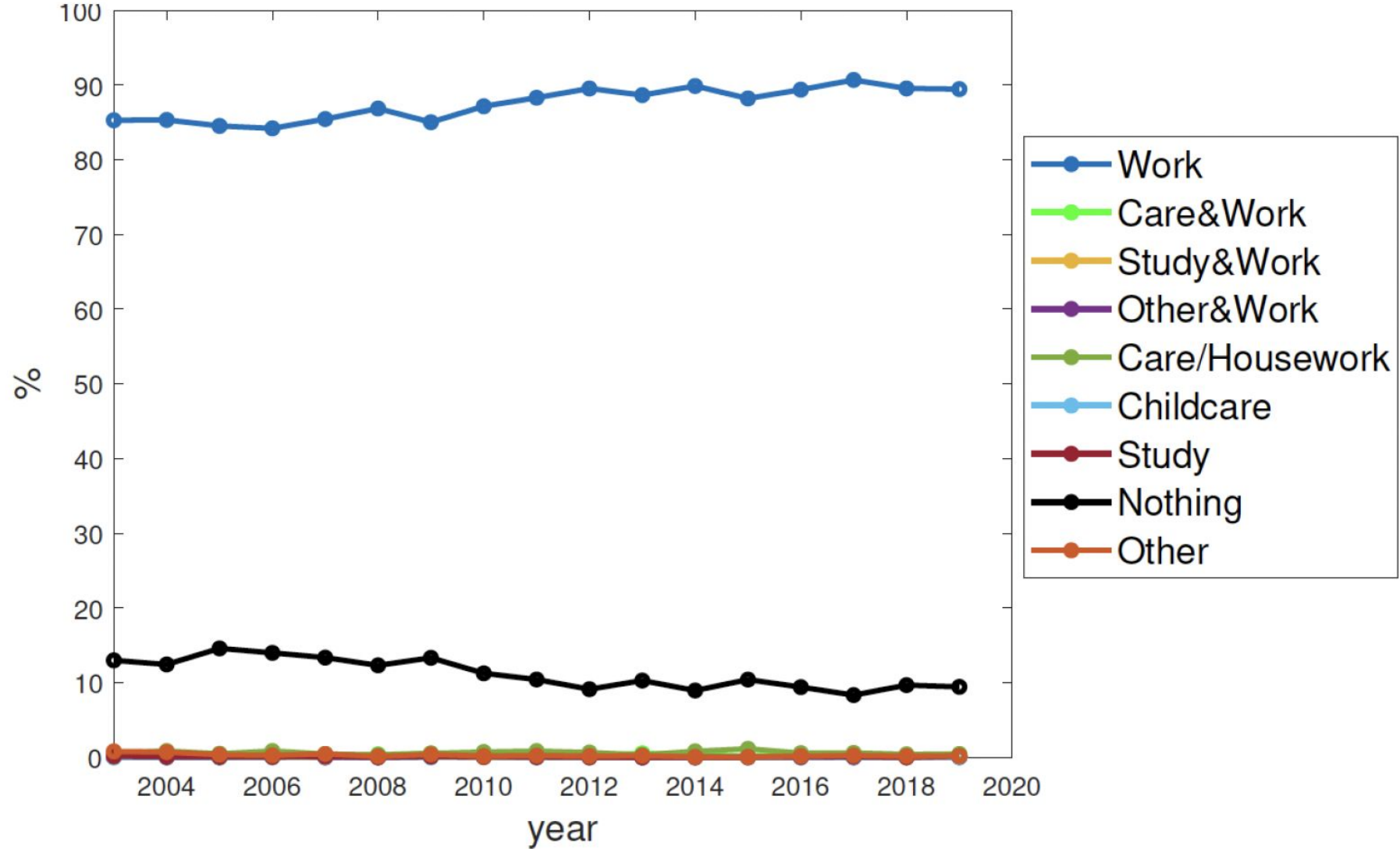
Source: Korean Longitudinal Survey of Women and Families (KLoWF), 2007-2018.

Figure 4: Main Activities Among Women Aged 45-60



Source: Korean Labor and Income Panel Study (KLIPS), 2003-2019

Figure 5: Main Activities Among Men Aged 45-60



Source: Korean Labor and Income Panel Study (KLIPS), 2003-2019

# Challenges for Empirical Analysis

- **Goal:** Estimate the marginal effect of LTCI benefit on family caregivers' labor supply
- **Issue:** The determinants for LTCI benefits are also the determinants for labor supply decisions
  - When elderly parents' health deteriorates, caregivers are more likely to reduce their work hours. However, they are also likely to receive higher benefits, which reduces the need to reduce work hours
  - Direct effects and indirect effects (through LTCI reform) of the determinants are mixed in the observed labor supply decisions
  - What is the net effect?
  - What is the marginal effect of LTCI generosity?

# Discontinuities in LTCI System

- **Remedy:** Utilize discontinuities in the LTCI benefit schedules
- Korean LTCI reform has several discontinuities in its benefit levels by design.
  - There are five dependency categories (three prior to 2014) that determine the levels and types of benefits, including whether they are provided at home or in a care facility
  - Depending on the beneficiary's economic status, 80%-100% of expenses are covered by the insurance
  - Cash benefits can be provided in exceptional cases
- We use the first two policy rules and observed health and economic status from KLIPS to impute the discontinuous LTCI benefits for older individuals (Liebman et al. (2009))

# Regression Discontinuity Design

$$h_{it} = \alpha(b_{it}(\mathbf{X}_{it})) + f(\mathbf{X}_{it}, \beta) + \mathbf{Z}_{it}\gamma + \epsilon_{it}, \quad (1)$$

$h_{it}$ : labor supply

$\mathbf{X}_{it}$ : determinants for LTCI benefit levels

$b_{it}$ : amount of benefits with discontinuities created by  $\mathbf{X}_{it}$

$\mathbf{Z}_{it}$ : vector of additional explanatory variables for labor supply

- Idea: Capture the direct impact of elderly parents' health and economic status on the labor supply with  $\beta$ . And the effect of LTCI benefit  $\alpha$  is capture by the discontinuities at the limits.

Table 1: Labor Force Participation (Aged 45-60)

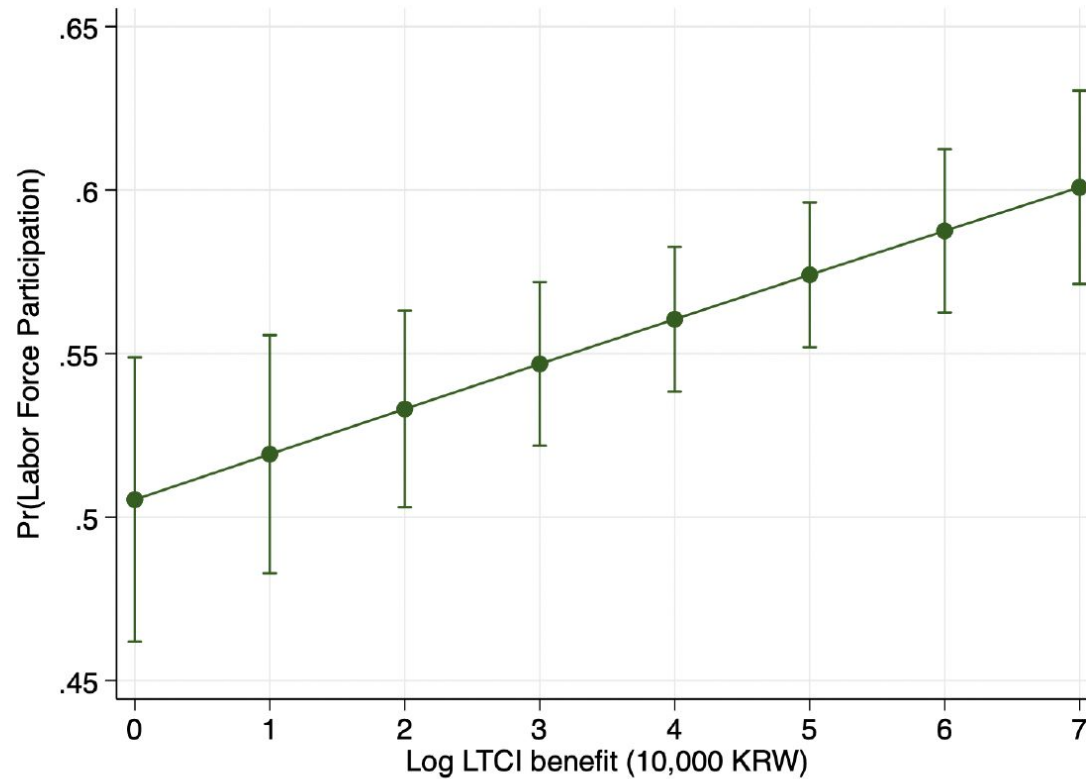
	Women	Men
log LTCI Benefit ( $b_{it}$ )	0.076*** (0.038)	0.010 (0.029)
Elder's Health Score	-0.019*** (0.005)	0.001 (0.009)
NHI Premium	0.021* (0.011)	0.023*** (0.009)
Own Health Score	-0.050*** (0.008)	-0.064*** (0.013)
Other Elder	-0.969 (0.615)	0.375 (0.587)
Other Elder·Healthy	2.586 (1.035)**	0.002 (0.555)
R-squared	0.123	0.272
N	2,298	2,050

Note: Additional controls include the spouse's work status, the number of working-age adults, the presence of pre-school-age children, the unemployment rate of the province, an indicator for urban areas, and a time fixed effect.



# Predictive Margins: Labor Force Participation

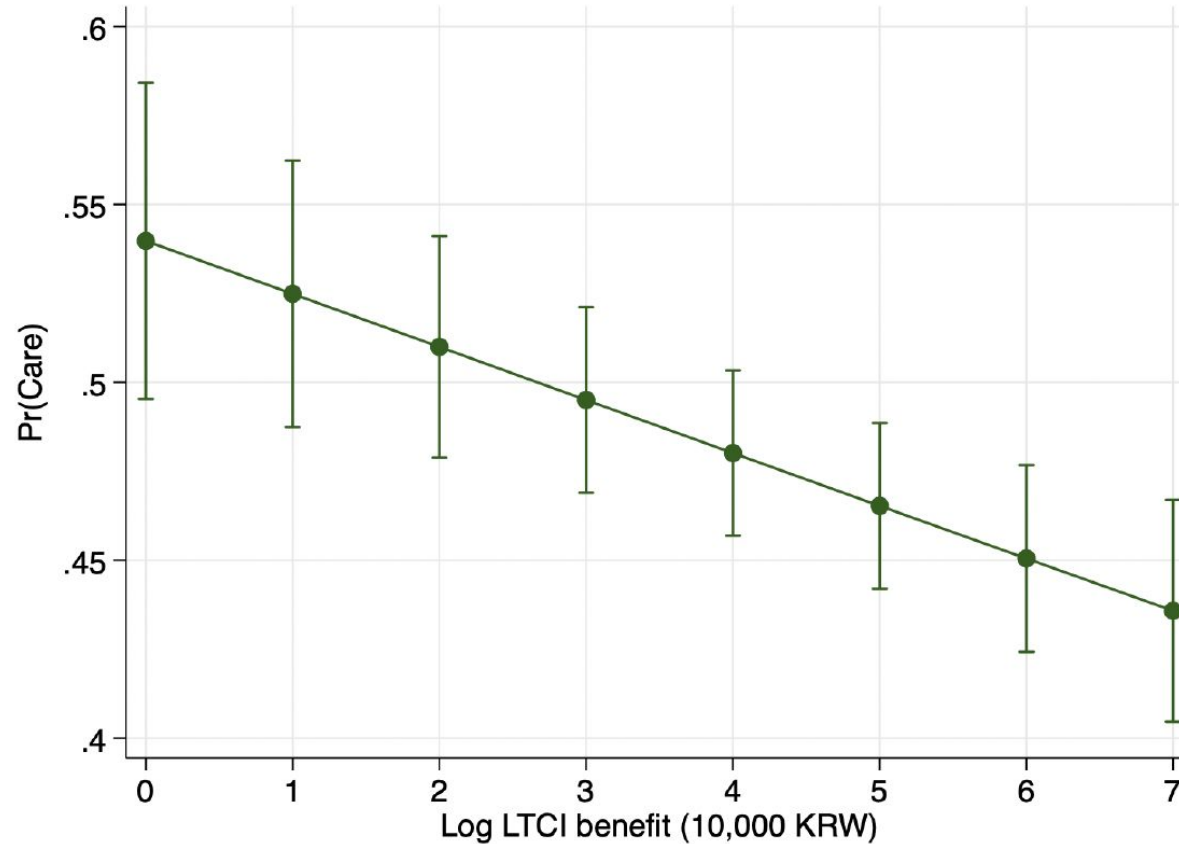
Figure 6: Predictive Margins With 95% CIs, Women



- An increase in LTCI benefits from 0 to 2 million KRW (5.3) increases LFP of an average woman by 10% point
- An increase in LTCI benefits from 2 million KRW to 10 million KRW (6.9) increases LFP of an average woman by 3% point

# Predictive Margins: Care As Main Activity

Figure 7: Predictive Margins With 95% CIs, Women



- It shows a similar magnitude as the effect on labor force participation (LFP), but with a negative direction

Table 2: Log Weekly Work Hours (Aged 45-60)

	Women	Men
log LTCI Benefit ( $b_{it}$ )	-0.001 (0.003)	0.001 (0.003)
Parent's Health	0.001 (0.001)	-0.000 (0.001)
NHI Premium	0.008*** (0.001)	0.002*** (0.001)
Own Health	-0.004*** (0.002)	0.001 (0.001)
Other Elder	-0.013 (0.061)	0.026 (0.053)
Other Elder·Healthy	0.004 (0.056)	-0.047 (0.053)
R2	0.092	0.071
N	2,484	1,611

Note: Additional controls include the spouse's work status, the number of working-age adults, the presence of pre-school-age children, the unemployment rate of the province, an indicator for urban areas, and a time fixed effect.

# Concluding Remarks

- LTCI reform in Korea has a large and significant impact on Women's employment.
  - The results hold for various parametric and a non-parametric estimation of  $f(X_{it}, \beta)$
- Those women were more engaged in the care-activity at home before the reform.
- Next steps:
  - Identify children caregivers outside out current households
  - Cost-benefit analysis



Policy, Research &  
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# POLICY SOLUTIONS TO ENHANCE CAREGIVER FINANCIAL SECURITY

**presented by:**

Joel Eskovitz, Senior Director, Social Security and Savings  
AARP Public Policy Institute

April 5, 2024

## Cost of Caregiving

### FINDINGS FROM AARP'S VALUING THE INVALUABLE SERIES

- About 48 million Americans provide unpaid care to an adult family member or friend
- 2021 report found caregivers provide \$600 billion annually in unpaid labor, up from \$470 billion in 2019 version
- Family caregivers average more than \$7,200 per year, or 26% of their income, on caregiving activities
  - This includes household-related expenses, paying rent or mortgage for care recipient, home modifications and medical costs.
- Nearly eight in ten caregivers report having routine out-of-pocket expenses connected with caregiving
- About one-third report two or more work-related strains, such as having to change their schedule or take leave, costing an average of \$10,525 annually

# Policy Options to Support Working Caregivers

- **Lowering Costs for Caregivers Act (S. 3254/H.R. 7222)**
  - Expands coverage for pre-tax health expense payment account from qualified medical expenses for spouse and dependents to parents and in-laws
    - Accounts: HSA, FSA, Health Reimbursement Account, Archer medical savings account
- **Credit for Caring Act (S. 3702/H.R. 7165)**
  - Offsets cost of home care aides, adult day services, home modifications, assistive technology, respite care, transportation or other supports
    - Recipient of care must have limitations certified by licensed healthcare practitioner
  - Tax credit amount: 30% of expenses incurred between 2K and 5K
    - Unlike existing child and dependent care credit, covers care for non-dependents or those who don't live with the caregivers

# 4

## Caregiving Leave

- Family and Medical Leave Act generally provides at least 12 weeks of leave benefits for employees to address their own serious health condition, care for a loved one with a serious health condition, and bond with a new child
- AARP supports improvements to the FMLA, including:
  - Extending the law to apply to employers with fewer than 50 employees
  - Expanding the law to cover all primary caregivers including extended family and those with close affinity relationships.
- 19 states and DC offer some form of paid leave
  - Pushing for additional adoption across the country





- Given the high cost of caregiving, it is no surprise that many Americans look to large pools of money, such as retirement accounts
  - Impact can be felt as various stages:
    - Workers may stop contributing to 401(k) plans, forgoing match and contribution
    - Workers may take hardship withdrawals or loans, impacting compounding effect
    - Workers may leave the workforce early and tap retirement accounts early
  - Only an issue for the roughly half of Americans who have access to a workplace retirement plan
  - AARP pushing for more access via Work and Save programs, state-facilitated retirement savings options that are a public-private partnership between the state and the private sector
- In lieu of raiding their retirement accounts, pushing for short-term funding options such as emergency accounts or rainy-day funds
  - In July 2023, nearly 2 in 5 adults (39%) ages 30+ did not have any money set aside for emergencies
    - Of those with savings, about half have less than one month's income
    - Among those without any emergency savings, 22% had income of \$75,000 or more.
  - 2022's SECURE 2.0 Act allows for payroll deduction and auto enrollment in emergency savings accounts connected to a retirement account
    - Implementation is still complicated
    - Auto enrollment for standalone emergency accounts still not approved by Congress

# Adding a Caregiver Credit to Social Security

## 2 DIFFERENT APPROACHES

1. Reduce the number of years calculated for benefits from 35 by as many as 5 years so long as no earnings in those years
2. Provide earnings credits for up to 5 years equal to half of the average wage index, or about 32K of the 64K AWI.

## ADMINISTRATIVE CHALLENGES

- For care of a child, starting up a system linking birth records, parents' Social Security records
- For care of an older person, the challenges are more substantial and trickier
  - Verifying hours and need for care
  - How close of a relationship does the caregiver have to have with the recipient



# Q&A

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