"Nudge Economics and Working Longer: Inadequate Responses to the Retirement Time Inequality"

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In the United States (and other advanced market economies) a combination of government policy, trade union demands, and employer human resource management practices all played a role in permitting most workers to retire regardless of income. The United States achieved a level of equity among the rich and poor we forgot to celebrate! High income and low income workers were able to enjoy about the same amount of retirement time because workers with shorter life spans were able to compensate for their high mortality by retiring earlier than those who live longer. But US retirement time equity may erode as access to pensions and longevity improvements become more unequal. The disturbing new older work reality is that nonexistent and too-small 401(k) account balances give less bargaining power to older workers who remain in the labor market. (The average Social Security benefit is about $15,000 per year; the median income from IRAs and 401(k) plans will yield $2,400 per year, which barely meets the federal poverty standard for living in a chronic state of want and deprivation.) In addition, the quality of jobs older people hold has stopped improving. The share of older workers who say they have very physically demanding jobs is increasing, and the share of jobs reported as easy is falling. “Nudge” economic policies (the 2017 Nobel prize winner Richard Thaler is an advocate) propose that workers save more but do not propose any more employer or government spending on retirement security. The behavioral economies inspired proposals do not consider the impracticality of workers saving enough to retire because of stagnate wages, age earnings profiles that peak at earlier ages, and income shocks.