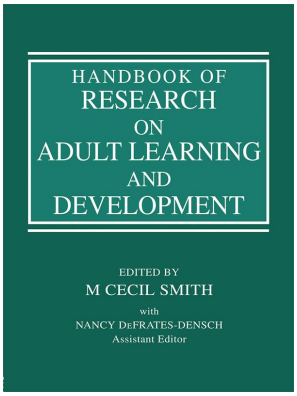

Handbook of Research on Adult Learning and Development

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Social Trends and Public Policy in an Aging Society

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Chapter 26

Social Trends and Public Policy in an Aging Society

Judith Treas and Twyla Hill

Changes in American society will shape the context for social programs in coming decades. The changing composition of the U.S. population is altering the needs, capacities, and resources of Americans. Of particular importance is the aging of America and the policy challenges posed by a growing contingent of older adults. Besides demographic changes, economic and political developments are creating a new context for national policies on aging. Public policy is defined as governmental decisions and actions affecting a considerable number of persons (MacRae & Wilde, 1979), but private sector policies made possible by government action (or inaction) also impinge on individuals over the life course. While a comprehensive description of national aging policy is beyond the scope of this chapter, several excellent discussions are available (e.g., Binstock & Quadagno, 2001; Clark, Burkhauser, Moon, Quinn, & Smeeding, 2004; Meyer & Herd, 2001).

In many countries, the ethos of the capitalist welfare state is being questioned. There are cutbacks in the public safety net and government social insurance that once protected citizens from risks to their security and dignity. Welfare provisions are eroding. Market forces have been given free play. Workers navigate the labor market with fewer traditional protections, and private enterprise is touted as offering consumers products to meet the threats to their health and welfare. Individuals and their families are assuming more responsibility for their health, education, and well-being over the life course. This new "ownership society" arrives at a time when industrial restructuring and global outsourcing have many Americans worried about their long-run economic prospects. Because these changes bring income volatility and shift more risk to individuals, the cognitive skills necessary to negotiate the workplace and everyday life are increasing.

In aging policy, there is new interest in the continued productivity of older Americans. This goal is desirable, given concerns that a large, dependent population of older adults will cripple pension and health care systems. It is also consistent with an older population that is expected to be healthier and wealthier. Adult education is an important component of policies to encourage successful aging. Life-long learning as an adaptive strategy for rapid social change squares with a new policy orientation which de-emphasizes old-age dependency in favor of programs that promote the continued productivity, health, and self-sufficiency of older adults.

Thus, various forces—the need to maintain the productivity of an aging population, the desire to maintain competitiveness in a global economy, the cognitive demands of an ownership society where people make complex choices with their own money—all signal a vital role for adult learning and cognitive development. A brief review of recent and prospective welfare, social security, private pension, and health care initiatives suggests how aging policy is responding to pressures from market forces that raise the stakes for Americans confronting critical decisions in their lives.

The Aging of America

At the beginning of the 20th century, the United States had a very young population. Given persistent high fertility, half of Americans in 1900 were younger than age 23 (Hobbs & Stoops, 2002). As the U.S. entered the 21st century, the threshold of middle age, not young adulthood, marked the middle of the age distribution. In 2000, the median age of the population stood at 35 years (Hobbs & Stoops, 2002).

This population aging was the result of long-run fertility declines (interrupted only by the baby boom) coupled with medical advances extending life expectancy. The aging of the baby boom generation born after World War II (1946–1964) will compound this trend toward an older American population. The first baby boomers will turn 65 in the year 2011. By 2030, 72 million Americans will be 65 or older compared to 35 million in 2000 (He, Sengupta, Velkoff, & DeBarros, 2005). Their share of the population will also increase from 12.4% to 19.6%. The aging of the general population will slow after 2030 as baby boomers die off and are replaced by the small baby bust cohorts born in the decades of the 1960s and 1970s. However, the older population itself will undergo aging as the baby boomers move from sixty-somethings to eighty-somethings.

The growth of the older population is a policy concern, because old age is associated with higher rates of chronic illness. Fully 80% of older adults have at least one chronic health problem; 50% have two or more (He et al., 2005). The prevalence of health conditions rises steeply with advancing age. The risk of having a heart or circulatory condition, for example, is 54% higher for persons 75 or older than for those 65 to 74. Policy concerns not only include the costs of treating chronic illness, but also the challenges of dealing with the accompanying disabilities. Over one-quarter of women 65+ say that they cannot walk three blocks, and 71% report a serious limitation in their ability to perform at least one of eight simple physical tasks (He et al., 2005).

Cognitive limitations are also an issue. While most older Americans will escape severe impairment, the prevalence of dementia increases with age. Up to 7% will experience dementia, with the two most common types being Alzheimer's disease and vascular dementia (Watari & Gatz, 2002). Rates of Alzheimer's disease differ by sex, although women's greater longevity may be a factor in their higher rate. Men and African Americans are more likely to have vascular dementia (Watari & Gatz, 2002). Functional limitations, whether physical or cognitive, interfere with older adults' ability to work, to go about their daily lives, and to manage independently.

The illness and disability in an aging population will increase usage of Medicare, Medicaid, and public services as well as the dependence of older Americans on their families. Leaving aside their greater needs, the aging population has important implications for the balance between the retirement-age and the working-age populations. Old age support ratios (persons 65+ to those 20–64) will climb from 21.4 in 2000 to 36.2 in 2040 (He et al, 2005, p. 25). (By contrast, the child support ratio—8.8 in 2000—will hold steady.) Thus, responsibilities will increase for the population of young and middle-aged adults who will face higher taxes to support the nation's retirees and greater demands for the care of frail family members.

Discussions of Medicare or Social Security often imply that demographic data is an adequate tool for informing national policy debates. Certainly, demographic projections yield reasonably good estimates of the future older population. After all, tomorrow's elderly are young people today. Demographic data are often weighted more heavily in debates on societal "caring capacity" than are more uncertain—but arguably more important—factors, including long-run performance of the economy and the efficiency

of public programs. Reassuringly, the future has already arrived in some places without extraordinary social or economic dislocation. In Florida, long a retirement destination for Northeasterners, nearly 18% of the population was 65 or older in 2000 (Hobbs & Stoops, 2002).

Optimism about Baby Boomers

A somber demographic picture underpins pessimistic assessments of the long run future of Medicare, Social Security, and other age-related programs. Another, brighter perspective exists on the aging of the baby boom. Coupled with generational profiling that asserts that baby boomers are too adventuresome, stubborn, or self-indulgent to accept the limitations of old age, improvements in the health and welfare of older Americans support a degree of optimism.

Coming cohorts of older Americans will be healthier, wealthier, and better educated. Older people are more financially secure. Poverty in the older population has declined from one in three persons in 1959 to one in ten (He et al., 2005). Since Social Security constitutes at least 90% of income for one-third of retired recipients (He et al., 2005), the prosperity and "self-reliance" of today's older Americans shows the historical success of aging policies. Baby boomers, at least those who finished high school, appear to be on track to be as well-off as their parents in old age (Easterlin, Schaeffer & Macunovich, 1993).

Older adults' lives are not only longer, but also healthier. Disability has been declining among the older population for decades (Crimmins & Saito, 1997; Schoeni, Freedman, & Wallace, 2001). We owe these gains to healthier lifestyles, earlier diagnosis and better medical treatment of disease, increased income and education of the older population, and more widespread usage of enabling devices like walkers and hearing aids. Not only are physical disabilities on the decline, but rates of cognitive impairment have decreased, a development traced, in part, to rising educational attainments (Freedman & Martin, 1999).

This positive vision of the capacities and resources of older adults is a key philosophical component of new aging policies, which seek to encourage or compel continued contributions of older people, rather than assume their dependency. However, it is important to recognize that many older Americans remain vulnerable and disadvantaged. In 2003, 12.5% of older women and 7.3% of older men lived in poverty (He et al., 2005). Poverty characterized 8% of older non-Hispanic whites, but the figures were 23.7% for African Americans and 19.5% for Latino/as. Other risk factors are being unmarried, living alone, and having less than 12 years of schooling. Similarly, poorer health prospects affect some older Americans. Compared to whites, older African-Americans have significantly higher death rates from heart disease, cancer, and strokes (He et al., 2005). Policies stressing old age self-reliance must contend with vulnerable populations that will not be able to work longer or manage successfully on their own.

Interdependent Generations: Needs, Capacities, and Resources

Population aging alters the nature of societal needs and resources as well as their mix. As the baby boom grows older, there will be more retired adults—people with the time, money, and know-how to contribute to their families and communities. However, proportionately fewer workers, taxpayers, and caregivers will be available to support the nation and its retirees. New labor force entrants with the latest training will be in short

supply unless immigrants fill the gap. Health care costs face upward pressure from growing numbers of older adults. More people will need personal assistance in managing daily life (e.g., transportation, household chores, money management). Challenges for some Americans will pose opportunities for others who step into new occupations or create products and services to meet new needs.

Responding to an aging population is not as simple as reallocating resources from the young to a growing older population. Short-changing children will only require families to reallocate time and money from older family members to younger ones. Today's children will be tomorrow's workers and taxpayers. Meeting the diverse needs of the generations will depend on young people's preparation for productive employment. Investments in child health and education remain important even as their population share declines. This mutual dependency is recognized by innovative intergenerational programs that bring together children and retirees to support one another in mentoring, tutoring, and care giving activities (Newman, Faux, & Larimer, 1997). Research has demonstrated the importance of early life experiences for a host of cognitive, psychological, health, family, and socioeconomic outcomes in adulthood (Blackwell, Hayward, & Crimmins, 2001; Sigle-Rushton, Hobcraft, & Kiernan, 2005). Whether older adults in the future are healthy and independent or sick and dependent depends, in part, on the nutrition, medical care, nurturing, and education that they receive as children today.

Summary

Population aging presents the challenge of supporting older adults who need health care, economic support, and assistance with daily living. Although some populations will remain very vulnerable in old age, the baby boom is apt to be healthier and wealthier than previous generations of older Americans. This meshes with a new philosophy for old age policies that emphasizes self-reliance and continued productivity. Because older adults rely on younger workers, taxpayers, and caregivers, the interdependence of generations means that the well-being of older adults in the future depends on the investments made in child welfare today. The educational system is one institution challenged to meet the needs of both young and old.

Education and Competencies

Educational attainment has risen over time. In 1960, 41% of Americans, 25 and older, had at least a high school diploma (U.S. Census Bureau, 2006b, Table 214). By 2004, this figure was 85%. Only 8% of Americans had a college degree in 1960, but 28% reported being a college graduate in 2004. People of Asian and Pacific Islander descent were particularly well-educated, with 49% reporting a college degree. Other racial and ethnic minorities lagged. In 2004, only 12% of Latino/as and 17% of African Americans had graduated from college although their educational attainments, too, rose since 1960. All racial and ethnic groups have completed more years of schooling, but African Americans and Latino/as are at a disadvantage.

Recent cohorts are better educated than earlier ones. Although 24% of persons ages 65 to 74 had not finished high school, that figure dropped to 14% of 55- to 64-year-old Americans (U.S. Census Bureau, 2006b, Table 216). Older Americans in the future will have even more education than those today. This trend is consistent with the global expansion of higher education in the 20th century driven by a world view that education is appropriate for everyone and "that education creates generalized human capital that

benefits both individuals and society" (Schofer & Meyer, 2005, p. 902). If everyone is educable, higher expectations of general numeracy and literacy are also appropriate. This leads, however, to an even greater divide between those who have education and those who do not, because access to education continues to be stratified.

How Valuable is Schooling? Limited education limits economic prospects. Among adults, ages 25 to 34, earnings averaged $18,920 for workers without a high school diploma, $26,073 for high school graduates, and $51,040 for college graduates (U.S. Census Bureau, 2006b, Table 217). Although a high school diploma now conveys a relatively modest advantage, the advantages of college have grown (DiPrete & Buchmann, 2006). The favorable economic situation of better educated Americans reflects more than a bias toward formal credentials. More schooling translates into skills (Kaestle, Campbell, Finn, Johnson, & Mikulecky, 2001). Educational attainment is positively associated with literacy. For those who finish high school, a higher level of literacy increases the likelihood of being employed. When they are employed, those with only minimal literacy are laborers, not managers. Education also equips adults to be more informed citizens, more savvy consumers, and better parents.

Many adults beyond traditional school ages seek additional education. In 2001, 648,000 Americans earned their GED credentials by examination (U.S. Census Bureau, 2006b, Table 262). In 2003, there were 6.1 million adults, 25 and older, enrolled in colleges, where they made up one in three students (U.S. Census Bureau, 2006b, Table 270). Millions more pursued some sort of adult education, including continuing education requirements for their occupation, English as a second language courses, basic skills education, apprenticeship programs, and vocational and technical diploma programs (U.S. Census Bureau, 2006b, Table 292).

Adult Learning. Much adult education is employment-related—designed to help the displaced worker or welfare recipient find and keep a job. With its narrow economic orientation, adult education policy is now labor market policy. This philosophy invites a minimalist approach—providing no more schooling than is needed to get the student a job. Learning-for-learning's-sake is now a luxury good marketed via university extension courses, eco-tourism packages, and public radio fund drives. Fortunately, a good deal of learning in adulthood is informal and incidental (Marsick & Watkins, 2001; Marsick, Watkins, Callahan, & Volpe, chapter 20, this volume).

Enhancing labor market success is a worthy educational goal, but it falls short of the needs of an aging society. Educational policies and informational programs are necessary to maintain the health and functioning of mature Americans (Uhlenberg, 1992). Forestalling disease and disability promises pay-offs in continued productivity, improved quality of life, and reduced need for costly medical services. Education confers benefits in physical health and cognitive functioning. The recognition that individuals can play an important part in managing their own medical conditions has led health care providers to devote more effort to educating patients about diet, exercise, and medication. In the cognitive domain, the prospects for maintaining capacities with suitable interventions are bright. Although older adults experience declines in cognitive functioning in various areas, even modest treatments (e.g., a five-hour training program) yield remarkable improvements in spatial orientation and inductive reasoning (Schaie, 2005). Despite their potential, learning activities that promote healthy adult functioning have yet to become a primary objective of adult education.

Do Americans Know Enough? Is a high school graduate today as knowledgeable as in earlier generations? Despite concerns with the quality of public schools, standardized tests for young people approaching the end of high school do not suggest much deterioration. From the early 1980s to late 1990s, science and math scores improved somewhat while reading and writing scores were either stable or down slightly (U.S. Census Bureau, 2006b, Table 254).

Trends in the cognitive abilities and knowledge of American adults are less reassuring. Alwin (1991) tracked the verbal ability of representative adults from 1974 to 1990. Despite little change from year to year, there were notable differences between cohorts. Vocabulary scores rose steadily across cohorts from those born at the beginning of the 20th century until the middle, but declined for those born later. Although better educated Americans know more words than less educated Americans, word recognition declined even as educational attainment rose. The culprit was not the schools, because vocabulary gains to an additional year of schooling did not decline (Glenn, 1994). Rather, lower verbal ability reflected changing leisure-time habits. Adults reading the newspaper daily declined from 67% to 53% from 1975 to 1990. Daily hours of television viewing climbed. Controlling for schooling and age, recent cohorts—those with lower vocabulary scores--watched more television and read fewer newspapers. Even if technology turns the tide by creating a generation of on-line bloggers, the digital divide means that poor people without computer access will miss out on any verbal benefits of the Internet.

Another important proficiency is English language ability. Because of high immigration, more Americans (one-in-five adults, ages 25–44, in 2000) speak a language besides English in the home (He et al., 2005, p. 172). A small minority (6%) of Americans, ages 18 to 64, report that they do not speak English very well (U.S. Census Bureau, 2005a). Persons with limited English proficiency are at a clear disadvantage in negotiating an English-speaking culture, including communicating with health care professionals, following product usage instructions, and understanding legal matters.

Even college graduates, however, lack the skills to deal with the complex challenges that they confront in signing up for a credit card, adhering to a medical regimen, or choosing an insurer. In 2003, only 31% of Americans with a bachelor's degree could read long, complex English-language text and then reach complicated conclusions (Dillon, 2005). This proportion declined from 1992 when 40% of college graduates had this high proficiency.

According to cross-national studies of adult skills, Americans are not well-equipped to balance their own checkbooks much less deal with global economic competition. In 2003, the U.S. was one of six nations in the Adult Literacy and Life Skills Survey (National Center for Educational Statistics, 2005). On both numeracy and literacy, the U.S. fell below Norway, Bermuda, Switzerland, and Canada. The poor showing by American adults cannot be attributed to educationally disadvantaged groups dragging down the overall average, because the top 10% of Americans scored lower than their high-performing counterparts in Bermuda, Canada, and Norway. In a brief test of scientific knowledge, Americans ranked seventh out of 20 countries (Science, 1995) with younger people scoring better than older ones (Gendall, Smith, & Russel, 1995).

Summary. Despite rising educational attainments, many Americans lack basic skills like literacy and numeracy (c.f., Smith, chapter 21, this volume). They do not have the higher order thinking skills to evaluate and manipulate complex information in order

to inform their life choices. More than rudimentary computational skills like multiplication and decimals, numeracy demands the competency to deal with everyday situations such as pricing out alternatives and maintaining numerical records. This means confidence in one's ability to know when and how to apply what one knows in various situations (Cohen, 2000).

As we note below, the proliferation of choices in our society has raised the cognitive complexity of the decision making required of individuals—especially to manage the increasing risk associated with policies that limit public and employer responsibility for education, illness, or old age. The MetLife 2004 Study of Employee Benefit Trends argues that better access to financial advice and education is critical, because employers expect employees to help pay for benefits and increasingly offer voluntary rather than set benefits. Only 38% of employees say they fully understand which company benefit options best meet their needs (MetLife, 2005). Only 14% of employers identify helping employees to make better benefits decisions as their most important human resources objective, compared to 53% that choose controlling costs (MetLife, 2005). Clearly, employees want and need more advice and education than employers currently are providing.

Aging Policies: From Dependency to Productivity

Writing about aging policy in the early 1990s, Uhlenberg (1992) observed that there had been few systematic efforts in U.S. public policy to promote the productive contributions of older Americans, despite the increase in the life expectancy, human capital, and functional capacity of the older population. Public policy assumed idleness and dependency were the hallmarks of old age. The main accomplishment of decades of American social policy on aging had been to create a population of retirees cut loose from the labor force. Today, fewer than one-in-five men and about one-in-ten women, 65+, work, even part-time (He et al., 2005). Older Americans enjoy relatively good health, but are dependent on federal programs for much of their support. In the middle of the last century, gerontologists worried about the "roleless role" of old age, because there were so few behavioral expectations for later life. Since then, retirement has become institutionalized as leisure time. In the past, public polices, dating as far back as Civil War pensions (Costa, 1998), encouraged this development.

The absence of policies fostering the productivity of older adults, Uhlenberg (1992) argued, was problematic given concerns about the long-run capacity of society to afford the pensions and health care needed by a growing population of retirees. Decreasing the dependency of the older population, he concluded, called for restructuring the life course—breaking down the assumptions that education was appropriate only for the young, that adulthood required single-minded devotion to work, that old age was the time for leisure. Some modest reforms—raising the age for receipt of full Social Security benefits and outlawing mandatory retirement—moved in this direction. Labor force participation rates, which had declined for older men and held steady for older women since the 1950s, inched up beginning in the 1990s (He et al., 2005, p. 83). Without draconian economic incentives, however, older Americans have little reason to extend their work lives, given the strong retirement norm that has taken hold. Although some retirees still regard themselves as being forced to retire, perhaps due to poor health or inflexible employers, about one-third of retirees (aged 50–67) want more time with family and over one-quarter say that they want to do other things (Haider & Loughran, 2001).

Educational Policy as Aging Policy

To reduce the segmentation of the life course, greater attention must be paid to capacities instead of deficits. Life-long education—ranging from employer-sponsored educational programs to federally funded job training to Elderhostel leisure-learning—is one way to maintain the productivity of adults over the life course. Besides educational programs geared to adults, tax credits, student loans, and flexible employment schedules encourage adults to pursue human capital investments.

Many argue that the large, rapidly growing older population constitutes a great social resource (e.g., Freedman, 2002). One-quarter of the 65+ population volunteered during 2004, primarily for religious organizations (U.S. Census Bureau, 2006b, Table 575). Older adults provide social services of many types, including eldercare and childcare for family members and others. Some public policies actively support intergenerational programs (e.g., foster grandparenting) that involve older persons in children's day care (Larkin, 1998–1999). While opportunities for highly educated volunteers exist (e.g., the Senior Corps of Retired Executives), they are few and far between (Freedman, 2002). Most supervisors and managers have yet to be educated to value the abilities of older volunteers (Freedman, 2002; Larkin, 1998-1999). Arguably, educational opportunities for older adults make them more capable volunteers, even if they do not continue in paid employment.

The 1965 Older Americans Act included the policy goal that older adults have access to educational and training opportunities (Binstock, 1991). The act has consistently been underfunded (Binstock, 1991), and the Administration on Aging has focused on access to and provision of health services, broadly defined (U.S. Administration of Aging, 2005). Adult education has not been a high priority. Funding education (e.g., in health literacy) would be a good idea. Medicare beneficiaries who can read material about health and follow prescription drug instructions are better able to compare plan information and feel more confident about making good choices (Greene, Hibbard, & Tusler, 2005).

The agenda for the 2005 White House Conference on Aging also incorporated educational issues, such as financial literacy throughout the life cycle and continuing higher education for the older learner. There were resolutions on improving health decision making through promotion of health education, health literacy, and cultural competency. Proposals promoted incentives for older adults to continue working and for job training and retraining programs to better serve older workers. Another resolution called for developing a national strategy for promoting new, meaningful volunteer activities and civic engagements for seniors.

Promoting productivity of the older population is consistent with the direction of broader public policies. As Meyer and Herd (2001) observe, social policies on aging have evolved away from a preoccupation with social problems to an emphasis on social solutions that are often informed by cross-national comparisons. Since the 1990s, governments have looked to productive aging as a remedy for labor force skills shortages. A global "active aging" movement has emerged, promoted by the World Health Organization and the Organization for Economic Cooperation and Development (Davey, 2002). Life-long learning, a response to rapid technological change in the 1960s, was identified in the 1990s as one element of a set of policies to permit older adults to work longer, stay healthier, remain active, and maintain independence. These upbeat aspirations for education are not without basis, because education contributes to employability and health (Freedman & Martin 1999). The enthusiasm for life-long learning also meshes with broader policy developments placing the responsibility for successful aging squarely

on the shoulders of the individual. Despite continuing interest, however, programs fall short of potential.

Political Engagement of Older Americans

Before examining major public policies on aging, older Americans' place in the political process merits attention. Older adults are among the most engaged political constituencies. They are more likely to vote than younger people. Voter turnout increases with age (Binstock & Quadagno, 2001). Some of this seems to be a cohort effect, perhaps reflecting differences in early socialization towards civic duty or exposure to specific political events (e.g., Watergate) at a critical moment in the development of political consciousness. Other age differences in political participation are due to life cycle effects. As people age, they become more interested in politics and public affairs. Their higher voting rate gives older Americans clout with their political representatives.

Older adults do not necessarily agree on all issues. It is assumed that older people consistently vote to maintain and expand old age benefits out of self interest (Binstock & Quadagno, 2001). Older adults' political beliefs, however, vary along income, race/ethnicity, education, social class, and party lines, just like those of younger voters (Binstock & Quadagno, 2001; Day, 1990). While a higher percentage of older people vote, there are more 25- to 44-year-olds voting than persons 65 and older (He et al., 2005). The aging of the baby boom cohort will increase the number, and presumably the power, of older voters (He et al., 2005). Certainly, their electoral significance argues for educational and informational initiatives to insure that older Americans continue to be active and knowledgeable.

More than 100 national organizations—including mass membership associations like AARP, single issue advocacy groups, and organizations for service providers and professionals—focus on aging policy (Binstock & Quadagno, 2001). Their constituencies and tactics vary, as do their priorities and stands on political issues. Without unifying goals, the power of the "gray lobby" is limited. Any group's power may be hampered by the diversity of its membership. AARP has over 35 million members to satisfy. Major developments in aging policy, such as the enactment and amendment of Medicare and Social Security, have owed more to the initiative of public officials than advocacy organizations (Binstock & Quadagno, 2001). While advocacy groups have benefited from stereotypes of the elderly as needy and deserving, their political legitimacy has been eroding (Binstock & Quadagno, 2001). The political power of older adults, then, owes more to perceptions that they vote as a bloc than to their effective activism.

Market Fundamentalism: The Changing Context of Public Policies

Market fundamentalism has become the dominant policy perspective in the U.S. over the past two decades (Somers & Block, 2005). Market fundamentalism is "the idea that society as a whole should be subordinated to a system of self-regulating markets" (Somers & Block, 2005, p. 261) and individuals should be responsible for themselves. With the decline of organized labor, workers have been stripped of traditional employment protections, made to pay more for employer-provided benefits, and even redefined as independent contractors who bear the cost of doing business. Even private insurers have transferred risk to individuals by excluding more conditions from coverage and pulling out of some markets altogether. We have also seen a breakdown of the government safety net as expressed in living wage protections, federal welfare programs, and social

insurance. In the past, the social contract held that citizens had mutual obligations to each other. These obligations were met through diverse public initiatives, including public education, health care for the poor and elderly, child labor laws, and social insurance against the risk of becoming impoverished through bad luck or illness (Reich, 1998–1999).

Currently in the U.S. and around the world, public policy is shaped by a neo-liberal political agenda based on twin pillars (Rubenson, 2005). First is the questioning of the social contract that provided a public safety net to citizens in need. In the United States, this trend is seen in many areas. There are new time limits and work requirements for welfare recipients, an erosion of Pell grants for low-income students, and cut-backs in various public services. Second, there is a shifting relationship between the market and the state. The U.S. government is morphing from a neutral service provider to an enthusiastic sales intermediary for largely unregulated private enterprises. Americans have seen not only proposals for private Social Security accounts with brokerages, but also a new Medicare prescription benefit that is notable for sacrificing cost control in favor of a dizzying array of private drug plan options. This "market-oriented approach to social welfare" (Gilbert, 2002, p. 44) is supposed to encourage personal responsibility, which invariably requires high levels of knowledge and individual competency.

Welfare Reform. Public income-support programs illustrate the new market fundamentalism. Privatization, as seen in recent proposals for Social Security and Medicare reform, leaves intact broad-based eligibility and benefits, but reduces the redistributive elements that transfer money from the rich to the poor (Herd, 2005b). This philosophical shift is seen in the rebranding of Aid to Families with Dependent Children (AFDC) as Temporary Assistance to Needy Families (TANF). The title of the 1996 welfare reform legislation—Personal Responsibility and Work Opportunities Reconciliation Act—clearly shows this paradigm change.

Through most of the last century, there was support for the social contract protecting all citizens, particularly children. By 1920, 40 states had enacted mother's pensions, promoting the idea that families with children deserved support; this was codified by the 1935 federal act (Skocpol, Abend-Wein, Howard, & Lehmann, 1993; Somers & Block, 2005). By 1996, perceptions had changed. Individuals are now viewed as responsible for themselves and their children. Only short-term assistance is regarded as appropriate (Somers & Block, 2005). The 1996 welfare reform legislation not only mandated time limits for assistance, child support enforcement, and work requirements (Lee, Slack, & Lewis, 2004), but also excluded "undeserving" groups like older adults who had recently immigrated (Treas, 1997). Ironically, the tough stance toward welfare belies how many ordinary Americans need public assistance to make ends meet. According to Rank and Hirschl (2002), two out of every three Americans (aged 20–65) at some point will live in a household that receives means-tested welfare benefits of one sort or another.

Whether the new welfare policy has been a success or failure is much debated. The welfare rolls are smaller now. In 1980, 3,712,000 families received AFDC compared to 1,987,000 in 2003 (U.S. Census Bureau, 2006b, Table 555). However, inequality grew. Although the average income of families in the poorest quintile increased by $2,664 from 1981 to 2002, the average in the richest quintile increased by $45,101. The income ratio of the top to bottom quintiles went from 5.5 to 7.3 (Bernstein, McNichol, & Lyons, 2006). Many people who left government assistance found that work did not keep them above the poverty line. Work often meant the loss of Medicaid and food stamps, leaving people worse off (Mink, 1999). During an economic boom, the mean wages of those

leaving welfare ranged between $5.60 and $6.60 per hour in 1998 (Mink, 1999). States now face growing pressure from the federal government to insist on immediate employment instead of schooling that would lead to better jobs.

Although some adults got jobs, TANF has not improved the lives of American children. The poverty rate for children was 17.9 in 1980 and 17.8 in 2004. Work requirements removed parents from the home for longer periods of time, and promised childcare fell short. There are fears that more children are growing up without adequate supervision and shouldering adult household responsibilities. These changes led to concern that welfare reform is hindering the education and development of children at the bottom of the economic ladder. The question is whether they will be able to acquire the literacy, numeracy, and educational credentials to support themselves, manage their affairs, and contribute to the broader economy and society.

Social Security Reform. Poverty rates for the elderly have declined since 1959; a development largely attributable to the expansion of Social Security benefits (Clark et al., 2004). For two-thirds of Americans aged 65 and older, Social Security makes up at least half their income (He et al., 2005). In January, 2006, fully 33,595,000 people received benefits. The average benefit was $959 monthly or $11,504 annually (Social Security Administration, 2006). With the 2005 poverty line for one person 65+ at $9,060 (U.S. Census Bureau, 2006a), Social Security offers a modestly secure and dignified old age for many, but not all. In 2004, 3.5 million older people (9.8% of those 65+) were still living in poverty. African American, Asian American, and Latino/a seniors are more likely to be poor than non-Hispanic Whites. Singles and women are at greater risk. Single older women of color are most likely to live out their lives in poverty (He et al., 2005).

Alterations in the program are necessary. Demographic projections inform the estimates that Social Security's payments will exceed its income in 2017 and exhaust the trust fund by 2041, when only 74% of promised benefits could be paid (Social Security Administration, 2005). These predictions have led to suggested reforms which have been widely discussed. None have yet to be implemented, perhaps due to political cross-pressures in Congress or to fears of the wrath of elderly voters. Although the proposals would appear to be dead, they deserve a closer look, because they illustrate the complexity and risks involved in reform and because they spell out how market fundamentalism shapes thinking about public policy.

Market fundamentalism favors privatization. Two different measures were recently suggested for Social Security. First, investing trust funds in the stock market, it is argued, would buoy the system with greater returns, as stocks generally outperform government bonds. Second, individual retirement accounts have been advocated. Although Social Security reform floundered, these proposed provisions and their implications merit scrutiny.

President Bush directed the 2001 President's Commission to Strengthen Social Security that proposed reforms had to include voluntary, individually-controlled, personal retirement accounts. The President did not endorse any of the Commission's three proposals, but Model 2 in the Commission report came the closest to what he had endorsed (Copeland, 2005). It was two-tiered. A minimum benefit would be figured under the traditional formula and then combined with money from the individual account (President's Commission, 2001). Individuals would choose whether to have individual accounts. For these individual accounts, workers would choose from a limited number of investment funds. If workers did not participate, their benefits would be computed similar to the current program. As there is currently no minimum Social Security benefit, the

Commission predicted some low-income workers would benefit. To get a minimum benefit equal to the poverty line would require 40 years of earnings, however. Thus, women—having shorter work lives—were disadvantaged by this provision (Herd, 2005a).

The Commission predicted that individual accounts would produce higher benefits (assuming the historical rate of stock market returns) than traditional Social Security. If the new accounts grew more than 2% above inflation, individuals would be better off than if they had stayed in the traditional plan. It is unclear what would happen if growth rates were less than 2% above inflation. Critics call attention to Chile, where the stock market lost 25% of its dollar value, and many saw returns drop from an average 12% to nothing (Gilbert, 2002, p. 106). Managing individual accounts would cost more than under the current Old Age & Survivors' Insurance (OASI) program, which spends just 1% of its budget for administration. Skeptics also are concerned about those individuals who choose their investments poorly or simply have bad luck.

Due to market ups and downs, large differences in individual retirement account outcomes can be predicted based on when someone is born and how much s/he earns. According to estimates by Burtless (1999), private retirement accounts—had they existed—would have replaced as little as 19% of the income for a typical male worker retiring in 1942 as compared to up to 104% for one retiring in 1969. Estimated replacement rates vary widely by birth cohort because of stock market fluctuations. By contrast, the current Social Security program replaces about 40% of income, on average, regardless of birth cohort (Burtless, 1999). Of course, the success of privatized investments will depend on whether the equity market continues with historical levels of return and whether legislators are willing to subject future retirees to benefits that could prove to be lower than currently guaranteed (Copeland, 2005). One thing is certain: including private savings accounts in OASI would shift risk to individuals while the current program spreads risk across cohorts.

Other reforms also have their critics. Proposals to increase the number of years of income used to calculate benefits tend to hurt those with intermittent employment or lower paid jobs, namely, women and people of color. Poorer than whites, older African Americans and Latino/as are less able to continue working given higher rates of disability; raising the benefit eligibility age affects them negatively and disproportionately (Green, 2005; Treas, 2004). Latino/as, in particular, are less likely to have private pensions to fill the gap. Longer work expectations, however, are consistent with the improved health and life expectancy of older adults as well as with the general philosophical commitment to encouraging the continued productivity of older Americans.

Employer Pension Plans. Private pension plans are an important supplement to Social Security benefits. The earliest American pensions honored military service by Revolutionary War soldiers who were injured protecting American colonists and their property (Clark et al., 2004). Civil War pensions for Union soldiers were so generous and widespread that they are thought to have retarded the development of a social security system in the U.S. Although public sector employee pensions began in the middle of the 19th century, private pensions came later. Only a few companies had retirement plans in 1900.

Private pensions grew slowly until after WWII when they increased rapidly. By 1974, roughly half of the private labor force was covered, but progress stalled, in part because of the increased fiduciary and reporting requirements of the Employee Retirement and Income Security Act (ERISA). Currently, 50% of workers are covered, but this varies widely by occupational class. Fully 60% of white collar workers have pension coverage, compared to 50% of blue collar workers and only 22% of those in service industries (U.S.

Census Bureau, 2006b, Table 543). In 2002, 43% of male workers were covered compared to 41% of female workers, and 43% of whites compared to 40% of African Americans and 26% of Latino/as (U.S. Census Bureau, 2006b, Table 545). If employer pensions are to supplement Social Security for all workers, more employers will have to offer them. Recent developments suggest this is unlikely. The increased requirements placed on companies under The Pension Protection Act of 2006, while making pension plans more secure, may decrease employers' willingness to implement pension plans.

The past 30 years have seen a shift from defined benefit pension plans (guaranteeing a given pension benefit to retirees) to defined contribution plans (where the benefit amount depends on the investment return on contributions) or to hybrid plans. Between 1990 and 2000, the number of defined benefit plans fell from 113,100 to 48,700; the number of defined contribution plans increased from 599,200 to 687,300 (U.S. Census Bureau, 2006b, Table 542). While both types have some advantages for employers and employees, under ERISA legislation, the costs to employers of defined benefit plans are higher than those of defined contribution plans (Clark et al., 2004). As the media reports, businesses are free to move workers from defined-benefit to riskier defined-contribution pension plans—increasing uncertainty for workers planning retirement.

Defined benefit plans generally provide a specified benefit based on years of service and earnings. The company determines the formula, although limited by federal regulations. It may include incentives to retire at a given age or after a specific number of years of employment. The company bears the investment risk, makes the contributions, and covers all qualified employees. Rewarding workers who stay with the company, they require less financial literacy on the part of the employee. With typical defined contribution plans, contributions are voluntary, and the company makes contributions only if the worker also contributes. Workers bear the investment risk. Benefits are paid out as a lump sum. These plans require greater financial literacy. The employee must grasp the long-run benefits of contributing, make good investment decisions from what may be a broad portfolio of investment options, and be able to make the large lump sum payout last until death. Many companies are changing to hybrid plans: all workers are covered and the company makes all contributions, but the benefits are paid out as a lump sum (Clark et al., 2004). Hybrid plans require less financial savvy than defined contribution plans, but more than defined benefit plans.

Medicare Reform. Health insurance is an important component of financial security. Medicare (for older adults) and Medicaid (for the impoverished) were implemented in 1965. Medicare increased the proportion of older people with health insurance from about 50% in 1965 to 97% in 1970 (Clark et al., 2004). The proportion has remained high, providing an important resource for almost all seniors. In 1997, the government established Medicare+Choice, a managed care version of Medicare. With traditional Medicare, the federal government acts as the insurer, bearing the risk of covering the costs of care. Private insurers run Medicare+Choice programs, providing all Medicare benefits for a fixed monthly payment and bearing the risks of the cost of care.

Medicare+Choice was consistent with the general movement in employer-based insurance towards managed care, which is supposed to reduce costs. The Choice plans often provide more benefits than traditional Medicare, but they also tend to enroll healthier-than-average older people, leaving the sicker, more expensive enrollees in traditional Medicare (Clark et al., 2004). Originally, the federal government seemed to overpay the HMOs, but HMOs dropped out when reimbursements were lowered. Because Congress boosted reimbursements in 2002 to encourage HMO participation (Herd, 2005b), it is

doubtful these plans actually save money. Given traditional fees for service and private Medigap insurance against costs not covered by Medicare, the expense of the newly required Part D Medicare prescription drug plan creates an incentive to enroll in HMOs (Herd, 2005b).

Rebranding was included in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Public Law 108-173. So nobody misses the point, the HMOs are now called Medicare Advantage rather than Medicare+Choice. The act also established "an educational and publicity campaign for Medicare Advantage and Medicare Advantage Prescription Drug plans" (U.S. Department of Health and Human Services, 2004, p. 21). In other words, a campaign was designed to encourage people to switch from traditional fee-for-service Medicare to managed care—illustrating how the government acts as an intermediary for corporate enterprise. This state role is even more apparent in Medicare Part D.

The New Medicare Drug Policy. Under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, a variety of plans are offered through private insurance companies, and individuals decide which plan is best for them. They decide whether to continue with traditional fee-for-service Medicare or go to a HMO (if offered). They choose whether to keep their private Medigap insurance, if they have one. People on both Medicaid and Medicare are expected to pick a plan, because Medicare takes over drug coverage from Medicaid. These dual-coverage patients are likely to be the sickest, poorest, and least able to make informed decisions; they are also the heaviest users of prescription drugs. Medicare enrollees were encouraged to use websites and interactive pages to inform their deliberations. They could call toll-free telephone numbers although insufficient staffing led to many complaints. Information was made available in writing and also on the Internet. Pharmaceutical providers must indicate changes to formularies on their websites; there is no requirement for paper copies of notifications (U.S. Department of Health and Human Services, 2004).

Individuals need financial and computer literacy to make good decisions. For example, in Kansas 40 different drug plans are available (HMO options differ by county). All plans offer coverage up to $2250 annually, some between $2250 and $3600, and all above $3600. The types and amounts of coverage vary between $2250 and $3600. Some plans provide generic drugs, others generic and brand name drugs. Premiums, deductibles, and drugs covered also vary. If a person is on multiple medications, it can be very hard to determine which plan is best. There is a 1% per month penalty for not signing up immediately, creating the dilemma of whether it pays to wait to get more information on prescription needs and the performance of various plans. Even if not currently taking medication, older adults were compelled to pick a plan in the face of great uncertainty. Most people can change plans only once a year. Despite discussions of limiting the number of plans in order to decrease complexity and confusion, the cognitive requirements to make the best decision are apparent.

The emphasis on websites for information and enrollment in Medicare Part D surely came from people who are younger and more computer savvy than most Medicare recipients. Only 48% of people, 65 to 74, have a computer in their household, and only 26% of those 75 or older access the Internet from home (Hill & Wright, 2006). While it is possible to access the Internet elsewhere, only 3% of those ages 55 and older use the Internet somewhere besides home (Hill & Wright, 2006). Therefore, most people who have Medicare do not have easy access to its information. Later birth cohorts will be more computer literate, but computer and Internet usage are highly stratified by income and

education (Day, Janus, & Davis, 2005). Thus, poor older people will have even greater difficulties getting access to the information that they need.

Health Care. Disturbingly, 45.8 million Americans did not have any health insurance in 2004 (U.S. Census Bureau, 2005b). The number remained steady from 2003, because declines in employer-sponsored health insurance were offset by increases in the numbers eligible for government-sponsored health insurance programs. Those relying on government programs increased from 76.8 million to 79.1 million between 2003 and 2004.

Under the banner of privatization, the market is being given freer reign at the same time that the welfare state is being downsized. Voicing concern with rising health care costs, employers are eliminating health care benefits or asking workers to pay more, even though corporate profits are increasing (MetLife, 2005). In addition, many companies are redefining employees as contingent workers or independent contractors who must bear the cost and uncertainty of doing business. Fewer workers can expect their health care benefits to continue into retirement. Although 28% of companies offer at least some benefits to retirees (MetLife, 2005), the number continuing health insurance benefits to new retirees has declined since 1993 (Mercer, 2001). The proportion of large firms (200+ employees) with retiree health benefits plummeted from 66% in 1988 to 34% in 2002 (Kaiser, 2002).

President Bush endorsed Consumer Directed Health Plans, including Health Savings/Reimbursement Accounts. Only 15% of employers without such plans are receptive to the idea of offering them. Of workers, only 16% say they would be very interested in enrolling (MetLife, 2006). These accounts also demand financial literacy and a highly developed planning ability on the part of the employee. According to one argument, the more money that individuals spend out of their own pockets for health care, the more likely they are to become frugal health care consumers. Health care, however, is a complex and sophisticated industry. Relatively few consumers have sufficient medical knowledge or information to conduct a good cost-benefit analysis of alternative treatments or providers. Persons suffering from disabling medical conditions often lack the ability and resilience for comparison shopping, especially in emergencies.

Summary. Although population aging points to the need for Social Security and Medicare reform, the lack of resolution on the issue means that Americans face a moving target in retirement planning. In an ownership society where individuals can no longer count on being protected by the state from life course contingencies, programmatic changes could increase the insecurity of the poorest Americans. New programs with new rules (like Medicare Part D) will place greater demands on individuals to be sophisticated managers of their finances, career, and life course. Many Americans lack the necessary education, knowledge, skills, and cognitive ability to deal with choices having serious financial implications. Thus, successful new programs of public old age support demand considerable resources to educate Americans about the viability of their options. The inadequate planning for the educational and counseling component in the Medicare prescription drug plan raises concerns about any programs that confront Americans with high-stakes, but very complex, choices.

Putting Aging Policy in Context

Bernard and Phillips (2000) summarize the market-oriented trend that threatens the traditional protections that older adults came to expect from the welfare state:

> Terms such as empowerment; advocacy; user involvement and participation; consumerism; care management; purchasers and providers; enablers and facilitators; internal markets; and packages of care, to name but a few, have come into everyday parlance. However, behind this new rhetoric, we can discern the continuing erosion of state responsibility for the care of older people. (p. 39)

These developments are not limited to old age policies. They affect all age groups. Whether school vouchers for children or drug plans for seniors, the thrust of policy developments has been to rely more on the market and less on the state to meet health, education and welfare needs across the life course.

Privatization means a wider number of choices for individuals, but these choices can demand an extraordinary level of cognitive sophistication and motivation to make good decisions. This is no small matter, because the choice of employer, insurer, and physician has not only immediate consequences, but also significant long-run implications for well-being over the life course. Average Americans may not be up to the challenge. Many do not know enough or have the skills to manage the sophisticated decision making being thrust on them. For disadvantaged Americans—those who are poorly educated or non-English speakers or socially isolated or cognitively impaired—the tasks of an ownership society are formidable. Undoubtedly, many will fall by the wayside, victims of bad judgment or even fraud. This is not to say that people who are poorly equipped for complex decision making could not function in the new privatized welfare state, but it would take a high level of outreach, education, support, and counseling. This situation poses real opportunities for those who would empower consumers, engage patients in the management of their own illnesses, implement cognitive interventions for older adults, or provide impartial financial advising. To date, however, the public commitment to life-long learning and empowerment has been inadequate to incorporate those who most need knowledge, skills, and advice in the ownership society.

Cut-backs in state support parallel other developments that undermine the security of individuals and their families. The traditional employment contract promising a living wage and job security has been rewritten, a corporate change rationalized by the need for global competitiveness. More Americans work in nonstandard employment (Kalleberg, Reynolds, & Marsden, 2003). These jobs are usually substandard, characterized by lower pay, part-time or irregular work hours, no guarantees of continuity, scant promotion or training opportunities, and little in the way of employer-paid benefits (Kalleberg, Reskin, & Hudson, 2000). Fewer jobs offer the firm financial foundation to equip workers to manage a lengthy illness, a financial setback, or a bout of unemployment on their own. Although manufacturing employment has been shipped abroad, even the jobs of highly educated workers are being outsourced to other countries. More U.S. companies rely on India for their skilled financial work, for example. This trend raises questions about the limits of retraining and education in addressing the problems of Americans who are out of work or in dead-end jobs.

Family income has become increasingly unequal as high income Americans have pulled ahead (Bernstein, McNichol, Mishel, & Zahradnick, 2000). Family income has also become increasingly volatile (Gosselin, 2004). More workers find periods of employment and prosperity to be punctuated by job loss and income decline. Unemployed workers are less likely to receive unemployment insurance benefits now than they were 30 years ago, even though the percentage of workers eligible has increased (Bernstein et al., 2006). In addition, personal saving fell from 7% of disposable personal income in 1990 to 1.2% in 2004 (U.S. Census Bureau, 2006b, Table 659). The growth of the credit card

industry means that Americans at all economic levels bridge short-term financial shortfalls by taking on what can become long-term debt. One-quarter of families with credit cards say they hardly ever pay off their monthly balance (U.S. Census Bureau 2006b, Table 767). New legal barriers, however, limit bankruptcy relief, long the last resort to manage burdensome debt. The rise in medical insurance co-payments and the shift from defined benefit to defined contribution pension plans add to the conclusion that individuals are shouldering more of the risk in a precarious world. As the welfare reform and social security debates show, these economic changes have been coupled with political developments that have frayed the government safety net.

Even as volatility and uncertainty mean that families are hard pressed to educate their children, educating adults becomes a more critical enterprise. New developments have placed a premium on knowledge to navigate uncertain waters and on retraining to keep workers afloat in a rapidly shifting economy. As the 2005 White House Conference on Aging pointed out, the need for economic literacy and financial planning over the life course has increased due to economic changes and political developments. Declining newspaper readership (U.S. Census Bureau, 2006b, Table 738) and the rise of new information media that are subject to fewer constraints on truth claims suggest some of the challenges ahead. Although a host of national policies have made life-long learning critical, the success of public policies must be gauged by the learning opportunities that they extend to Americans of all ages.

Conclusion

A growing population of older adults raises the prospect of more people in need of medical care, income support, and assistance with daily living. The baby boom, however, promises to be healthier and wealthier than any prior generation of older Americans. Their vitality, coupled with the projected shortfall in Social Security and Medicare funds, has encouraged a new philosophy toward aging policy. Rather than supporting old age dependency, public programs are slowly changing to encourage the continued productivity of older adults. Older Americans are encouraged to stay healthy, keep working, and remain independent.

Productive aging dovetails with a broader development in public policy—market fundamentalism. This philosophy seeks the solution to societal problems in self-regulating markets while scaling back government programs that traditionally protected workers and their families from poverty, unemployment, natural disasters, illness, disability, and old age. As a consequence of this ideological shift, individuals assume greater responsibility for their own lives. This comes at a time of global economic restructuring that has shaken not merely the perennially disadvantaged groups in society, but also the solid middle class. The growth in non-standard jobs offering no security or promotion prospects, the decline in employer-provided benefits, the increasing volatility of family income, all signal economic challenges to families working to provide for themselves.

Public policy has responded to market fundamentalism with a host of proposals and social programs that cast the individual as consumer, private enterprise as supplier, and government as the business-friendly broker. From the roll-out of a Medicare drug plan featuring a dizzying array of private insurers to calls for individual Social Security accounts invested in the stock market, social insurance has ceased to mean simple, one-size-fits-all programs. The upshot is that public programs entail greater personal risk, and public policy innovations make increasing cognitive demands on Americans who must make choices of enormous consequences to their lives.

While job training has been touted for welfare recipients transitioning to work and manufacturing workers displaced by foreign competition, the limitations and complexities of public and employer-sponsored insurance programs make life-long learning even more necessary. Unfortunately, adult education policy has not been aging policy. It has been employment policy with only fitful attention paid to other pressing concerns. Americans, however, are poorly informed, and many lack the basic literacy and numeracy skills to process the information that they need to evaluate benefit options, follow a medical regimen, or manage their business affairs.

Older Americans pose special challenges and opportunities. For all the optimism about the baby boom's resources, there will invariably be vulnerable populations who require special assistance. Often on the wrong side of the digital divide, many older adults have trouble keeping up with the shift of information from printed to web-based media. Special approaches are needed to educate and inform adults (Smith & Reio, 2006). Beyond enrichment, there is a significant role for life-long learning in fostering productive aging. Adult education promises not only to make older adults more valuable workers and volunteers, but to promote health and maintain cognitive functioning in later life. If aging societies can no longer afford to cultivate old age dependency, the promise of adult learning must become a reality.

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