

**Testimony of David A. Smith**  
**Director, AFL-CIO Public Policy Department**  
**before the**  
**Special Committee on Aging**  
**U.S. Senate**  
**"Living Longer, Retiring Earlier: Rethinking the Social Security Retirement Age"**  
**July 15, 1998**

Good Afternoon. Mr. Chairman and Members of the Committee, my name is David Smith. I am Director of the AFL-CIO Public Policy Department. On behalf of the Federation's 13 million members and almost 40 million family members, I am here today to express our great concern over proposals to increase Social Security's retirement ages and the very serious questions that these proposals raise about fairness toward and protection of some of the most vulnerable members of American society.

An Increase in the Retirement Age is an Unfair Benefit Cut.

We believe that this discussion begins and ends with one definitive question: Is it fair to cut Social Security's guaranteed retirement benefits in a manner that has the harshest impact on workers least able to absorb the loss or continue working? Raising the retirement age will have precisely that effect.

There is no mistaking an increase in the retirement age for anything other than a benefit cut, and a substantial one at that. The most frequently discussed increase--pushing the age for collecting full retirement benefits back to 70 and older--means reduced lifetime benefits for all beneficiaries and lower monthly amounts for those who begin to receive benefits before attaining the new, higher retirement age. An increase in the earliest age at which workers and dependents can collect any benefits puts the hard squeeze on those whose personal circumstances compel them to retire.

Social Security is a Critical Source of Income.

What's wrong with this? Keep in mind that for many Americans retirement is not the beginning of a golden age cruise, but rather an economically traumatic event, particularly for low-wage workers and people of color. More than one in four African-American (27.8%) and Hispanic (26.7%) households 65 years of age and older live in poverty, compared to just over one-tenth (11.1%) of White households. For disconcertingly large portions of the elderly population, Social Security is the only significant source of income:

- For middle-income older Americans (those in the third income quintile), Social Security provides two-thirds of their retirement income.
- On average, older Americans in the two lowest income quintiles rely on Social Security for 87% percent of their income.
- More than two-in-five African-American (45%) and Hispanic older households (44%) rely on Social Security for virtually all (90% or more) of their income in retirement. And a third count on it for their entire income.
- A smaller but still significant 29 percent of White retirees rely on Social Security for 90 percent of their income, and 16 percent count on it for 100 percent.

Most older Americans lack substantial economic resources beyond Social Security. Unfortunately,

pensions and individual savings just don't reach enough people or provide adequate income.

- Only 43 percent of all older American households who receive Social Security also get any pension benefits from past employers.
- Only one-third of such African-American households and one-fourth of Hispanic households get any pension benefits.
- While income from savings is more widely received than pension benefits, it amounts to very little for most retirees regardless of race. For all of those 65 and older, median savings income is \$1,872 per year. Among the bottom fifth, median asset income is a tiny \$13 a month.

These basic facts bear directly on the retirement age issue. For workers who lack substantial alternative sources of income, any cut in Social Security benefits will be more painful than it is for those able to rely on other legs of the retirement stool. For example, a worker who relies entirely on Social Security in retirement and who retires at age 62 in 2022 or later will experience an additional 10 percent cut in *benefits* as a 10 percent cut in *income*. By contrast, an upper income worker who relies on Social Security for only one quarter of retirement income, as the top 20 percent of the elderly do, would see less than a 4 percent cut in total income from the same cut in early retirement benefits. The result will be even less adequate retirement incomes for working families already at the margin.

#### Increasing the Retirement Age Hurts Blue Collar Workers.

Beth Hamilton of Exeter, Rhode Island, is a prime example of the millions of workers who struggle in physically demanding and dangerous jobs and who would bear the brunt of a retirement age increase. A 61-year-old, divorced mother of four, she works full time as an aide in a group home for physically and mentally challenged adults. Over the years, she has sustained injuries from lifting and moving clients and developed arthritis, which causes chronic, severe pain in her back and elsewhere. Although she had hoped to retire at 62, she has concluded that she can not live with the reduced benefits, particularly the loss of health insurance coverage. Ms. Hamilton hopes to continue working until 65 when she will be eligible for Medicare, but fears that her health may prevent her from doing so. She says it is impossible to contemplate working past 65.

Common sense tells us that people who spend their work lives scrubbing floors in a nursing home, moving 5 liter engine blocks around a factory floor, pouring steel into a Bessemer mill, or hauling bricks around a construction site can count on a shorter work life simply because their bodies wear out sooner than those of us in this room who spend our work days behind desks. Blue collar workers are simply more likely to experience work-place injuries and to suffer impaired physical capacity that precludes working very far into their 60's. The data bear this out:

- Nursing aides (and orderlies) such as Ms. Hamilton face an incidence of occupational injuries and illnesses that ranks behind only truck drivers and laborers (nonconstruction).
- Men who work as laborers and in similar jobs suffer an occupational injury risk that is 12 times that for managers and professional employees.
- Construction employees retire at age 58, on average, largely because their bodies are worn out.

Raising retirement ages will confront workers like these with a difficult choice: more years of employment that only further undermine their already fragile health; or sharply reduced benefits, making

it all the more likely that poverty is their payback for a lifetime of hard work.

### Increasing the Retirement Age Hurts African Americans, Low-Income Workers, and the Disabled.

Clearly, the blue collar worker category does not define the boundary of Americans who would be hit hard by a retirement age increase. Anyone who faces above-average risks of dying relatively early or being forced out of the labor force by a work disability is likely to feel the pain of a retirement age increase. Unfortunately, the same Americans who typically lack substantial alternative retirement resources beyond Social Security--the poor and African Americans--also face the greatest probability that they will die or be forced out of the work force before they reach a new, higher retirement age.

The troubling truth is that African Americans live substantially shorter lives than the rest of the American population. At birth, African-American men can expect to live to 65; at age 20, they can expect to live another 47.2 years to age 67.2. By contrast, White men can expect to live 73.2 years at birth, and another 54.3 years to age 74.3 at age 20.

Increasing the retirement ages pushes the finish line back even farther for African Americans. Consider that the death rate from age 62 to age 65 for African-American men is over one and one-half times that of White men (8.9 percent *versus* 5.5 percent), meaning fewer African Americans would survive to collect benefits at an increased retirement age. While life expectancy is projected to trend upward for African Americans as well as Whites, the differences between life expectancies for African-American and White men are expected to grow even farther apart in the future, and African-American men will not even have an age 70 life expectancy at birth until about 2050.

While separate life expectancy tables are less well developed for economic status, the available evidence also suggests a substantial gap between the rich and the poor. According to some estimates, the mortality rates among the young elderly may be two times higher for the poor and near poor (the bottom 20 percent of income earners) than they are for the rest of the population. One study suggests that the poorest White men have (an age 25) life expectancy that is 10 years shorter than the life expectancy for the richest.

Proposals to increase the retirement age rely on generalized trends in life expectancy, but these estimations alone do not tell us much about the quality of life, or whether many workers will be able to extend the time they spend in the work force. The existing evidence shows that the incidence of work disabilities and the impact of a work disability on labor force participation are correlated with age. Around one-fourth (23%) of people ages 55 to 65 are work disabled, compared to about one-eighth (13.2%) of people 45 to 54 years old. And a smaller percentage of people who suffer from some form of work disability remain in the labor force as they age. The labor force participation rate for persons ages 55 to 64 with work disabilities is 18.3% (70.4% for those without work disabilities) compared to a 32.2% rate for persons in the 45 to 54 age group (89.2% for those without work disabilities). While Social Security Disability Insurance benefits will take care of the severely disabled, many Americans who face substantial work limitations are nevertheless not eligible for disability benefits and thus would be left without much help if Social Security retirement benefits were not there as they are now.

Regrettably, the incidence of disability and illness also shows stark racial differences. One-third (33%) of African-American men and 36% of African-American women between the ages of 50 and 62 report that their health is poor or fair, figures twice as great as the 17% rate for White men and women. Over two-fifths (44.3%) of African Americans ages 65 to 79 suffer from a severe disability, compared to one-third (33.1%) of Whites. Overall, African Americans ages 16 to 69 suffer from a high incidence of work disabilities (15.4%), compared to Whites (9.4%) and Hispanics (9.6%).

Certainly, future health trends could be affected by health insurance coverage, but the news on the employer-based health insurance front is not good. Eight million fewer Americans had employer-based coverage in 1996 than in 1989, and another 8.1 million can be expected to lose coverage between now and 2002. Low-wage workers have been hardest hit: Fewer than half of Americans in families with \$15,000-\$19,999 in income had coverage in 1996, whereas more than 85 percent of Americans in families with incomes of \$50,000 and more had coverage.

### Increasing the Retirement Age Hurts Caregivers.

Increasing retirement ages would have a serious negative effect on the young elderly who leave the work force to care for incapacitated family members. Many Americans bear the burden of caring for their elderly parents and spouses even as they themselves enter old age. Today, one-fourth of Americans caring for frail elderly persons are between the ages of 65 and 74, and two-fifths are between the ages of 45 and 64. These ratios are likely to increase in the future as the population ages. .

Flora Bacquol of Baltimore City, Maryland, is a case in point. Ms. Bacquol is a 64-year-old widow who began receiving Social Security retired widow benefits just after she turned age 60, not because of a lost job, poor health, or bad working conditions. Instead, she left the work force sooner than she wanted or planned to care for her mother who had been disabled by a severe stroke. Today Ms. Bacquol receives a reduced Social Security benefit of about \$700 per month. That benefit as well as a \$19 survivor benefit from her husband's pension and a \$44 a month benefit that she earned at her last job are her sole means of support. Increasing retirement ages will force cruel choices on caregivers like Ms. Bacquol: remain in the workforce and send their loved ones packing to nursing homes; or retire with greatly reduced benefits, making poverty the likely payback for a lifetime of hard work; or try the impossible--juggling full-time work with full-time caregiving.

### Americans Oppose Increasing the Retirement Age.

Raising the retirement age is not only unfair; it also runs counter to strong public sentiment. Americans firmly believe that the age at which future retirees will be able to receive Social Security benefits should not be increased--not even gradually. An April 1998 *NBC News/Wall Street Journal* poll found that 58 percent of the American public opposed including a more rapid increase in the retirement age from 65 to 67 in any Social Security reform package. Young Americans (under age 35) opposed the idea most (65 percent). Furthermore, when given the choice between raising the Social Security payroll tax, means testing benefits, and raising the retirement age--raising the retirement age is supported by only 19% of the public.

The disconnect between the current political dialogue and public values becomes most apparent when looking at young workers' expectations for their own retirement futures. According to the most recent Retirement Confidence Survey conducted by Matthew Greenwald and Associates, people are looking forward to retiring earlier, not later. Nearly half (46 percent) of respondents under age 33 (Generation X) expect to retire at age 60 or less, and almost as many young Baby Boomers (age 34 to 44) expect to retire early.

### Conclusion

In conclusion, the most critical point in any discussion about Social Security's future is necessarily its historical and continuing role as the retirement system for average wage workers. Social Security, not pensions or savings, provides two-thirds of the elderly with 50 percent or more of their income in retirement. Despite retirement policy rhetoric about a three-legged stool of retirement income, for too

many Americans Social Security is the only leg on which they can depend. Social Security reforms that have limited impact on policy makers, who will have three legs of retirement income, are nevertheless potentially traumatic to the vast majority of working families. Raising the Normal Retirement Age is such a change. Congress should reject calls for reforms such as these, which will have harsh consequences for those workers whom Social Security counts among its most important beneficiaries.

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