

ORAL TESTIMONY

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Hearing

: “Examining Pathways to Build a Stronger, More Inclusive Retirement System

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100 Years of Progress in Equalizing Retirement

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Before Social Security and defined benefit plans, workers were more likely to die than retire. Women’s work was mainly unpaid and her most significant paid work was taking in boarders – the modern day *Airbnb*. She didn’t retire either.

In the 15 years or so before Social Security was passed in 1935, only a few soldiers, some government and railroad workers, and a scattering of union workers had pensions.

And years after Social Security only the privileged were truly able to retire. In the 1940s, only 3% of retirees aged 65 and over said they retired because they wanted to. And they had the highest incomes.

The unlucky elderly without work or relatives lived in poor houses at the end of the 19th century and in, what were called, “insane asylums” in the early 20th century.

Age was the biggest poverty risk factor. In 1920, elders spent 44% of their meager incomes on food. Now the average food share is about 7%.

Your grand or great-grand parents were at high risk of living in a walk up, in someone’s basement, or in the barn. Another sign of progress, that could disappear with pensions and retiree health plans, was elders living independently. You are now at a much higher risk of your elderly parents -- a risk they did not face with your grandparents—of moving in your spare bedroom or renovated garage.

Another reverse of progress is retirement equity, and voluntary retirement itself. At present, 65-year-old can expect 12 to 18 years of not working depending on their class, race, and gender. A working man in the bottom third of educational attainment – a good proxy for socio-economic status -- could expect about 12 years of retirement; his counterpart in the upper third could expect 14 years. A class divide exists in retirement time to be sure, but now, the prosperous and low-income worker can expect to retire.

But how they got a decent retirement was through defined benefit plans, retiree health plans, and a robust Social Security system. I am a trustee for both the \$60B health care trust for United Auto Workers of GM, Ford, and Chrysler and the \$1B trust for Steelworkers and Goodyear Tire. These 600,000 or so members enrich the health and wealth of their communities

with their stable incomes and good health insurance in every state: Michigan, Georgia, Pennsylvania, New Jersey, New York etc. As defined benefit plans and retiree health plans disappear, so goes those community economic benefits.

Not everyone had a DB plan to be sure, in the 1970s about 70% of full time workers had a defined benefit plan now about 50% of workers have a 401k plans and their cousin, IRA, the individual retirement account. The 40-year-old experiment with these voluntary, heavily tax subsidized plans have failed – they did not expand coverage, security, equity, and they serve mostly the top 20% of all workers.

The problem facing the older workers is that policy makers have a dream that everyone and their employers will set aside retirement savings voluntarily and consistently, invest it well, avoid predators, bad decisions, high fees, and risk, and manage hundreds of thousands of dollars in their 70s and 80s to last the rest of their lives..

And voluntary retirement for the middle and upper lower income worker is also disappearing. We take for granted, until it hits us, that the retirement decision is all ours to make. The truth is most people at age 65 can't afford to retire: some are forced to work longer; and most of those retiring are forced to– the decision was not voluntary.

Worker-choice- retirement equity was something we forgot to celebrate, and notice only when it is gone.

Between the years 2010 to 2018, 55 percent of workers, 55 and over in the bottom half of the income distribution were forced retire because of layoffs, plant closings, age discrimination, poor health, and family concerns. 32 percent in the middle class, and 30% of the most prosperous older worker -- in the top 10%.

The problem facing the United States is that we have a dream that everyone can work longer.

But reality casts shade on the hope that reduced pensions, either by cutting Social Security by raising the retirement age or not doing anything about pension loss, will be made up by people living longer working longer. In fact, Peter Arno and colleagues found that further erosion of elderly income security could reverse the progress we've made in longevity gains. Voluntary retirement security improves health and extends lives.

Another reason working longer is a fantasy solution is that Americans already work more hours per day, more days per week, more weeks per year and more years per lifetime than any other worker in the G-7.

This country's vision for pensions and modern social insurance was present at its founding. Thomas Paine's last essay, published in 1795, called for a public system of economic security for the new nation. A 10% inheritance tax would help fund a one-time lump sum at age 21 and annual benefits "to every person aged 50 and older to guard against poverty in old-age."

We need a great leap solution like when we supported Social Security and defined benefit plans and universal, funded pension system as envisioned by Thomas Paine.. If we do nothing there will be

- More elders living with adult children
- More elder poverty
- More people dying on the job or looking for work
- More older women taking in boarders
- Significant inequality in retirement time equity
- And only the well - off and high – income professionals will have access to a dignified old age

Progress brought retirement equity and longer lives and we can nurture we can keep that progress by learning from the past. In my 2018 book coauthored with Tony James, and now my proposal with Kevin Hassett, former chair of President Trump's Council of Economic Advisors,

published with the Economic Innovation Group that everyone have [access to a pension like the one federal government employees enjoy](#), the Thrift Savings Plan.

In conclusion, increased national wealth produced a lot of everything good. We ended child labor, people are taller, work is safer, we have the weekend, and prosperity reduced the 10-hour day and the rich and poor alike could retire. Congress should avoid making things worse by privileging those with substantial wealth in Individual Retirement Accounts, and force elders to work or look for work. Such an approach could erase decades of progress of time equity and dignity in old age.

REFERENCES IN ORAL TESTIMONY

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If you want to know more about how the elderly poor were treated before Social Security and pensions read this student review of the literature, Huddleston, Diane M. "The Poorhouse: Industrialization of the Poor." Department of History Capstone paper, Western Oregon University, 2012. But I rely on the scholarly writings of Skocpol, Theda, Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States. Cambridge: The Belknap Press of Harvard University Press, 1992. and Sutton, John R., "The Political Economy of Madness: The Expansion of the Asylum in Progressive America," Sociological Review. 56, no. 5 (Oct. 1991).

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Meara, E. (2004) “Changes In The Age Distribution Of Mortality Over The 20th Century.” In: D.A. Wise (ed.) Perspectives on the Economics of Aging. Chicago, IL: University of Chicago Press, pp. 333-366.

Thomas Paine information is at the Social Security website.

<https://www.ssa.gov/history/briefhistory3.html>

A current live-wire solution for the retirement crises is found at The Economic Innovation Group (EIG) which has published [my paper](#) with Kevin Hassett the former Chair of the White House Council of Economic Advisers for Donald Trump. The context for the TSP-for All plan is in my and James earlier book *Recusing Retirement* Columbia University Press.

My research team at the new school, a graduate program in New York City, housed within the Schwartz Center for economic policy analysis calculated the distribution of a forced retirement in the pandemic. The data on equity of retirement time is in my article with Anthony Webb referred to in my written testimony