

TESTIMONY OF ILANA BOIVIE

ON BEHALF OF
THE INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS
AND
AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL
ORGANIZATIONS (AFL-CIO)

TO

THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON SOCIAL SECURITY

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Chairwoman Larson, Ranking Member Reed, and members of the Committee, my name is Ilana Boivie, and I am a Research Economist for the International Association of Machinists and Aerospace Workers (IAMAW), AFL-CIO. As someone who has devoted more than ten years to work on issues related to retirement income for working Americans, I am pleased to have this opportunity to testify on the importance of Social Security in today's economy and to add the labor movement's voice to the increasingly louder call for benefit expansion.

I am here today on behalf of both the IAMAW and labor's umbrella organization, the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO). The IAMAW represents some 600,000 active and retired members, in a wide variety of industries and occupations. The IAM is also a proud member of the AFL-CIO, which includes 54 other unions, and, together, we represent some 12.5 million American workers.

Workers' ability to achieve retirement income security long has been premised on a system of mutual responsibility (sometimes referred to as a "three legged stool"): Social Security, employer-provided pensions, and personal savings. Of the three, it is only Social Security that guarantees a nearly universal guaranteed benefit. I am proud to say that union members generally have been better off than their non-union counter-parts when it comes to the second leg of that stool—employer provided pensions—because of the power of collective bargaining.¹ Our experience with collective bargaining leaves no doubt that when working people are at the bargaining table they will make retirement security a workplace priority.

¹ The numbers show the union advantage: As of March 2018, only 17% of private sector workers overall were participating in a defined benefit pension plan—compared to the 61% of private sector unionized pension plan participants. Bureau of Labor Statistics, "National Compensation Survey: Employee Benefits in the United States," March 2018 (September 2018), Table 2. Retirement benefits: Access, participation, and take-up rates, private industry workers, available at <https://www.bls.gov/ncs/ebs/benefits/2018/ownership/private/table02a.pdf>

Distressingly, however, that second leg—the traditional pension—is becoming shaky. Private employers have largely backed away from defined benefit pensions in favor of defined-contribution plans, like 401(k) plans, that shift significant financial risk onto working people for them to bear individually, making their retirement outlook increasingly precarious.²

The typical defined-contribution plan, e.g. a 401(k) plan, provides a meaningful benefit only to those workers who can afford to contribute a meaningful amount throughout their working lives. The facts about how much workers save for retirement are sobering, and offer no hope these plans will make up for the loss of pensions. Nearly half of families have no retirement account savings at all. Among families closest to retirement (those headed by someone ages 55 to 64), nearly two in five have no retirement savings in a 401(k), IRA, or other defined-contribution account. Among those near-retirement families fortunate enough to have some retirement savings, half had less than \$100,000—enough for a monthly retirement income at age 65 of only several hundred dollars.³

The labor movement firmly believes that an individual retirement savings plan is not an adequate substitute for the guaranteed retirement benefit a pension provides, and the fact that this substitution is occurring is one of the reasons Social Security benefits are increasingly important to working families. Social Security's retirement benefit offers many of the benefits of a traditional pension, including lifetime retirement income and valuable survivor and disability protections. In addition, Social Security benefits are completely portable from job to job, and benefits keep pace with inflation through an automatic post-retirement cost-of living adjustment.

Social Security is the most effective anti-poverty program in our nation's history, our most important family income and disability protection program, and the cornerstone of retirement income security. It provides benefits to more than 63 million Americans.⁴ One out of every four households includes a Social Security recipient. Among elderly Social Security beneficiaries, 48% of married couples and 69% of unmarried persons receive half or more of their income from Social Security. Among elderly Social Security beneficiaries; one in five married couples and about 44% of unmarried persons rely on Social Security for 90% or more of their income.⁵

² Employers disfavor defined-benefit plans for many reasons, including the real and perceived volatility of their contribution obligations, the cost of contributions, the risk they assume in funding the plans, and counterproductive and complex legal and accounting requirements. Additionally, I would be remiss if I failed to note that companies, frequently driven by the demands of private equity, increasingly are using bankruptcy as a business strategy to get out of their pension obligations to their employees.

³ Monique Morrissey, "The State of American Retirement --How 401(k)s have failed most American Workers, Economic Policy Institute" (March 3, 2016), available at <https://www.epi.org/publication/retirement-in-america>. Furthermore, individual savings plan require workers to bear all the risk, are often insufficiently diversified, and suffer from poor returns.

⁴ Social Security Administration, "2019 Social Security/SSI/Medicare Information," available at <https://www.ssa.gov/legislation2019%20Fact%20Sheet.pdf>.

⁵ Social Security Administration Fact Sheet, available at <https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf>.

Given the clear importance of Social Security, the most valid criticism that can be levied against it is that its benefits are too modest. Averaging just \$17,040 per year for all retired workers,⁶ the labor movement agrees that there is clear room for benefit expansion.

And overwhelmingly, Americans agree. Nearly 9 in 10 Americans believe that Social Security is more important than ever to ensure that retirees have dependable income—including 87 percent of Generation Xers, and 84 percent of Generation Y. About three-quarters of both Gen X and Gen Y believe that Social Security benefits should be increased.⁷

Moreover, let us not forget that, as a result of changes enacted in 1983, Social Security benefits already are scheduled to be cut. Under current law, the retirement age to receive one's full benefit gradually increases from age 65 to age 67 for everyone born in 1960 and after. That means that these beneficiaries will receive fewer months of benefits and, therefore, a reduction in the total amount of lifetime benefits. Raising Social Security's retirement age by just one year is equivalent to about a 6 to 7 percent retirement benefit cut.⁸ The AFL-CIO unions unanimously agree that working people cannot afford another back-door benefit cut by increasing the retirement age.

First, whom would another increase in the retirement age affect? Generation Xers, like me? Younger Millennials? Generation Z?⁹ Should it be assumed that my generation and those born later need or deserve even less retirement income security than those who came before us? These generations have already been saddled with soaring student debt and high housing costs. They are paying a higher share of health care expenses, and very few have employer provided pension plans. Over half of workers aged 25-34—some 10.4 million workers—have no assets in a retirement account whatsoever. Among those aged 35-44, the median retirement account balance is just \$3,000.¹⁰ Do those who support raising the retirement age really think the generations behind them will face retirement with sufficient financial assets so as to need less from Social Security?

Second, the notion used to justify increasing the retirement age— that we all are living longer—

⁶ This average benefit is just \$4,550 above the U.S. Department of Health & Human Services 2019 Poverty Guideline for an individual. See <https://aspe.hhs.gov/poverty-guidelines>

⁷ National Academy of Social Insurance. "Strengthening Social Security: What Do Americans Want?" January 2013, available at https://www.nasi.org/sites/default/files/research/What_Do_Americans_Want.pdf. (There are varying cutoffs for one to be associated with a generational nickname: NASI uses 1965-1979 for Generation X and 1980 and after for Generation Y.)

⁸ Trudy Lieberman, "What a Higher Retirement Age Really Means" (September 13, 2012), Columbia Journalism Review, available at https://archives.cjr.org/ united_states_project/what_a_higher_retirement_age_r.php

⁹ There are varying cutoffs for one to be associated with a generational nickname; the Pew Research Center uses 1963 to 1980 for Generation X, 1981 to 1996 for Millennials, and 1997 and after for Generation Z.

¹⁰ National Institute on Retirement Security. March 2015. "The Continuing Retirement Savings Crisis." Data based on the 2013 Survey of Consumer Finances from the U.S. Federal Reserve, available at https://www.nirsonline.org/wp-content/uploads/2017/07/final_rsc_2015.pdf

is incorrect. The gap between the life expectancy of high earners and most other Americans is widening. Further, life expectancy of African Americans continues to be lower than for White Americans,¹¹ and life expectancy has not in fact increased at all for the lowest income Americans.¹²

Moreover, many workers with physically demanding jobs must limit the amount of time they are able to remain in the workforce. For example, the IAM has members who are skilled welders, working for General Dynamics in Maine and Huntington Ingalls in Mississippi, proudly building the Arleigh Burke-class destroyers for the U.S. Navy. Yet, due to the physically demanding work they do, often on their hands and knees, many of them are physically worn out by the time they are in the 50s and 60s due to knee, back, and other muscular skeletal issues related to decades of strenuous work. Are we going to tell these workers that they will need to work until they are 70 or older before they can get full Social Security benefits?

Some have proposed a “carve out” from a retirement age increase for those with physically demanding jobs. It is important to understand that physically demanding jobs are not just coal mining, manufacturing, and construction. For example, millions of service workers have physically exhausting jobs that wear their bodies out, whether it is moving inventory in warehouses, driving trucks all day long, turning mattresses in hotels, scrubbing floors in office buildings, lifting patients in hospitals, hauling our trash, or keeping our communities safe as police and firefighters. Union health and safety departments would tell you that it would be extremely difficult to identify the finite category of workers who necessarily must retire early because of the demands of their job—let alone track all of the different jobs people have throughout their career. There is no way to raise the retirement age while protecting those workers who, because of the demands of their job, must retire early.

Contrary to the misinformation spread by Social Security opponents, the program is not in crisis; it has not added a single dime to the budget deficit; it is not a contributor to projected long-term deficits; and its modest shortfall can, and should, be addressed without benefit cuts. Instead, because more and more Americans are entering retirement with less financial security, benefits should be improved.

I thank the Chairman for holding this hearing and for his leadership in protecting and expanding Social Security. I would be happy to answer any questions.

¹¹ “Health, United States, 2017 with Special Feature on Mortality,” U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Health Statistics, available at <https://www.cdc.gov/nchs/data/hus/hus17.pdf>

¹² Congressional Research Service. May 2017. “The Growing Gap in Life Expectancy by Income: Recent Evidence and Implications for the Social Security Retirement Age.” In the lowest income quintile of both men and women, as compared to those born in 1930, those in the born in 1960 have actually seen a decline in life expectancy. <https://fas.org/sgp/crs/misc/R44846.pdf>