

STRENGTHEN SOCIAL SECURITY

...don't cut it.

Raising the Social Security Retirement Age: A Big Benefit Cut that Harms Everyone, Especially Low-Income and Minority Workers

- **Raising the retirement age is a big benefit cut when benefits are already low.** Raising Social Security's full retirement age from 67 to 69 is a 13% cut in benefits, no matter what age an eligible worker retires.¹ This is on top of a 13% benefit cut that occurred when the retirement age was increased from age 65 to 67 for people born after 1960.² Benefits are already too low – the average retiree receives less than \$14,000 a year from Social Security, which is less than full-time minimum wage work.³
- **Many older workers cannot find work or cannot work until age 67, let alone to age 69.** In 2009, nearly three-quarters of new retirees—2 million out of 2.7 million Americans—claimed retired worker benefits early, resulting in a permanent benefit reduction of as much as 25%.⁴ Many retire early because they have no other options. They may have been laid-off and are unlikely to get re-employed; they have health and physical challenges; and they face age discrimination, often because older workers cost employers more. Many older workers have little likelihood of getting back into the workforce whether the retirement age is 67 or 69, but they should not be penalized for their lack of options.
- **Raising the retirement age greatly disadvantages lower-wage workers, who, on average, have seen little or no increase in life expectancy.** Over the past quarter century, life expectancy among men in the lower half of the income distribution has increased by only one year (as the retirement age increased by one year), while the life expectancy of upper-income men *increased* by 5 years. Among lower-income women, life expectancy has actually *declined*.⁵
- **Raising the retirement age penalizes workers in physically demanding jobs, among which minority workers are disproportionately represented.** Some 8.5 million older workers—nearly half of those aged 58 and older—work in jobs that are either physically demanding or have difficult working conditions. They are disproportionately African American, Latino and low-income workers: 62.4% of Latino male and 53.2% of black male older workers are in physically demanding or difficult jobs, compared with 42.6% of their white male counterparts.⁶
- **Raising the retirement age will increase elderly unemployment.** Because of age discrimination, older workers have a much harder time finding new work after being laid off. Indeed, half of all workers age 55 or older who lose their jobs end up retiring.⁷ During the current recession, the frequency of age discrimination has increased. The U.S. Equal

Employment Opportunity Commission reported that there was a nearly 30% increase in age discrimination charges from 2007 to 2008.⁸

- **Raising the retirement age will create even longer delays with the disability claims process.** The average wait-time for a Social Security disability claims hearing was 491 days in 2009.⁹ Faced with a large benefit cut for retiring early if the retirement age increases, more workers will apply for Disability Insurance benefits, according to an analysis by the Government Accountability Office.¹⁰ More disability claims will likely increase the already unacceptable wait-time for a disability hearing.
- **Raising the retirement age will reduce the economic security of millions of elderly spouses, divorced spouses, and widow(er)s, most of whom are women.** If the retirement age is increased, retired workers will receive lower benefits than they would under current law, whether they claim benefits at age 62, age 70, or any age in between. These lower benefits reduce the benefits of spouses and divorced spouses, and may translate into lower benefits for widow(er)s.¹¹

¹ Social Security Administration (SSA), “Effect of Early or Delayed Retirement on Retirement Benefits,” 2010. Available at http://www.ssa.gov/OACT/ProgData/ar_drc.html. Each one-year increase represents a cut of 6% to 7%.

² Social Security’s full retirement age is slowly rising from 65, where it was for those first accepting their retired worker benefits at age 62 or older before 2000, to age 67 for those who are first eligible to receive retired worker benefits at age 62 in 2022. A chart of retirement benefits by age is at <http://www.ssa.gov/retire2/agereduction.htm>

³ SSA, “Table 5.A1.1—Number and average monthly benefit for retired workers, by sex, age, and race, December 2009,” in *Annual Statistical Supplement, 2010* [herein *Ann. Stat. Supp.*], August 2010. Available at <http://www.ssa.gov/policy/docs/statcomps/supplement/2010/5a.html>

⁴ SSA, “Table 6.B3—Number and percentage distribution with and without reduction for early retirement, by sex and monthly benefit, 2009,” in *Ann. Stat. Supp.*, August 2010. Available at <http://www.ssa.gov/policy/docs/statcomps/supplement/2010/6b.html#table6.b3>

⁵ Harry C. Ballantyne, Lawrence Mishel and Monique Morrissey, “Briefing Paper #273: Social Security and the Federal Deficit, Not Cause and Effect,” Economic Policy Institute, August 6, 2010, p. 8. Available at http://epi.3cdn.net/99133adf653fd78719_qym6b95et.pdf

⁶ Hye Jin Rho, “Hard Work? Patterns in Physically Demanding Labor Among Older Workers,” Center for Economic and Policy Research, July 2010, p. 1. Available at <http://www.cepr.net/documents/publications/older-workers-2010-08.pdf>

⁷ Government Accountability Office (GAO), “Raising the Retirement Ages Would Have Implications for Older Workers and SSA Disability Rolls,” November 2010, p. 25. Available at <http://www.gao.gov/new.items/d11125.pdf>

⁸ *Washington Post*, “Age Discrimination Claims Jump, Worrying EEOC, Worker Advocates,” July 2009. Available at <http://www.washingtonpost.com/wp-dyn/content/article/2009/07/15/AR2009071503760.html>

⁹ SSA, “Annual Performance Plan for FY 2012 and Revised Final Performance Plan for FY 2011,” February 2011, p. 18. Available at <http://www.socialsecurity.gov/budget/2012APP.pdf>

¹⁰ GAO, *Ibid.*, p. 27. Available at <http://www.gao.gov/new.items/d11125.pdf>

¹¹ For more information, see Amy N. Shuart; David A. Weaver, and Kevin Whitman, “Widowed Before Retirement: Social Security Benefit Claiming Strategies,” *The Journal of Financial Planning*. Available at <http://www.fpanet.org/journal/CurrentIssue/TableofContents/WidowedBeforeRetirement/>