ECONOMIC POLICY INSTITUTE
1333 H STREET, NW • SUITE 300, EAST TOWER • WASHINGTON, DC 20005
PHONE: 202.775.8810 • FAX: 202.775.0819

EPI

www.epi.org

NEWS FROM EPI

FOR IMMEDIATE RELEASE
Tuesday, May 5, 2009

CONTACT
Nancy Coleman
Karen Conner
202-775-8810
news@epi.org

Working longer will not fix Social Security

Raising the Social Security retirement age is one of several options being considered to fix a projected long-term deficit. But this cuts Social Security benefits at a time when retirement security is at a low point. In the briefing paper, ***Working the graveyard shift: Why raising the Social Security retirement age is not the answer***, released today by the Economic Policy Institute, authors Monique Morrissey and Emily Garr argue that the best way to deal with Social Security's projected shortfall is to raise revenues, rather than cut benefits.

"When you look at the big picture, what really matters is how much we pay into the system, not whether we're living longer," said EPI economist and co-author Morrissey.

As life expectancy rises, it might seem that raising the retirement age would be an easy fix for any foreseen shortfall in social security. But most of the increase in life expectancy in recent decades has been among higher-income workers. Raising the Social Security retirement age would be especially hard on lower-income and minority workers, given large and growing disparities in life expectancy and poor health and/or job prospects. Raising the normal retirement age is effectively a cut to retirement benefits at a time when the value of 401(k) assets has plummeted. Meanwhile, older Americans face rapidly rising out-of-pocket health expenses.

Today's workers will also pay more into the system, working more hours per year and retiring later. In particular, an increase in women's employment has helped Social Security's finances because the system subsidizes spouses who do not work and those who earn less than their partners.

The authors contend that serious efforts to close the Social Security shortfall and long-term fiscal imbalances should start by raising the cap on taxable earnings and tackling comprehensive health care reform. Other changes, including a modest increase in the payroll tax, may eventually prove necessary, but it makes no sense to cut benefits at a time when retirement insecurity is rising.

# # #