STRENGTHEN SOCIAL SECURITY

...don't cut it.

Social Security Works for Young Americans

Opponents of our Social Security system often justify cuts to the program by framing retirement security as a question of generational equity, and falsely implying that spending on the old is crowding out spending on the young. Furthermore, they seek to pit the needs of today's retirees against the futures of young workers—in particular, the millennial generation—by wrongly claiming that they will never see their benefits, but will instead be saddled with mountains of debt. However, when discussing changes to our Social Security system, these same opponents claim that cuts that will fall exclusively on today's workers, such as raising the retirement age, are necessary to preserve benefits for young Americans—yet, at the same time, they promise to shield current beneficiaries from any changes to their benefits. Such rhetoric falsely implies that spending on the old precludes spending on the young, and that the nation must choose between supporting one generation or the other.

In truth, however, our Social Security system works for Americans of all ages, allowing young workers—whose contributions pay for current benefits—to insure themselves and their families for vital retirement, disability, and survivors' benefits during their working years. Cuts to benefits, whether now or in the future, are direct cuts to these critical protections, and only serve to weaken the compact that Social Security creates between generations. Today's millennials are at great risk of being unable to retire in dignity while maintaining their standards of living. Consequently, to insure that benefits are not only fully funded, but are also truly adequate for current and future beneficiaries, Social Security should be expanded, not cut.

Social Security: More Than a Retirement Program

Although Social Security is most often associated with retirement benefits and the elderly, young Americans benefit greatly from Social Security. Indeed, some of today's young workers may have received benefits even before joining the workforce and making their own contributions. Social Security is the nation's largest children's program, insuring about 98 percent of children against the loss of support in the event of the death or serious and permanent disability of a working parent.[1] Dependent children and grandchildren of retired workers receive vital benefits as well. In 2014, nearly 3.2 million children under age 18 received Social Security benefits[2]—and without these benefits, 1.1 million children would have fallen below the federal poverty level.[3]

In addition to retirement benefits, Social Security provides vital protections for workers and their families in the event of a work-limiting disability or death. These are risks that all Americans face, including millennials: An estimated 1 in 4 of today's 20-year-olds will become disabled before reaching age 67 (their full retirement age), and about 1 in 8 will die.[4] Disability during one's working years, or the death of a working spouse or parent, are life-altering and upending at any age. For young workers and their families, especially, the loss of wages due to disability or death can pose a serious threat to economic stability, since they have had fewer years to pay off any educational debts and begin accumulating wealth.

For working-age Americans and their families, Social Security benefits play a vital role in maintaining economic security in the event of disability or death. And for many, these benefits are the most important, and often the only, source of protection against lost wages in such circumstances. In 2015, just over half (57 percent) of all private workers had access to employer-sponsored life insurance, and only 34 percent had access to long-term disability insurance.[5] In contrast, virtually all working Americans are covered by Social Security, [6] and can expect to receive significant protections for themselves and their families in the event of disability or death. For example, a 30-year-old worker with a spouse and two children, earning $30,000 a year, has earned the equivalent of roughly $550,000 in life insurance protections, and roughly $580,000 in disability insurance protections.[7] For young Americans and their families, these Social Security protections are invaluable, and irreplaceable.

Young Americans Will Receive—and Benefit from—Social Security

Despite false claims that Social Security is "going bankrupt", young workers today can, and should, expect to receive Social Security benefits when they retire. Indeed, millennials are expected to receive larger retirement benefits in the future than today's retirees, as standards of living increase, and as Social Security benefits keep pace. Even if Congress fails to close the projected shortfall, Social Security will still be able to pay approximately 77 percent of benefits in 2060,[8] when many millennials will have reached, or be close to reaching, their full retirement age. However, Congress should ensure that earned benefits can be paid in full, as they have been for the entire history of the program. Fortunately, Congress has until 2034 to enact much-needed policies that would restore solvency and expand benefits. [9]

Just as Social Security is a critical source of income for retirees today, it will be equally, if not more, important to the retirement security of their children and grandchildren. Generations X and Y have accumulated less wealth than their parents' generation had at the same age 25 years ago.[10] The median millennial has no employer-sponsored traditional pension and little savings of any kind, largely due to high unemployment, stagnating wages, and growing student loan debt.[11] At the same time, the nation faces a looming retirement income crisis: Just over half (52 percent) of all working-age households in 2013 were at risk of being unable to maintain their standard of living in retirement—including nearly 3 in 5 (59 percent) younger households (ages 30-39).[12] For these young households, Social Security will be a critical, and irreplaceable, source of income in retirement.

Changing Demographics Make Social Security Especially Critical to Millennials

Social Security will also be critical to future retirees due to shifting demographics in the nation as a whole. Millennials, now our nation's largest living generation, are also the most diverse in its history.[13] Since 1980, the share of young people (ages 15-34) who identify as non-Hispanic White has declined, from 78 percent to 58 percent in 2012, while those who identify as Black have increased from 13 percent to 14 percent, and those identifying as Hispanic have tripled, from 7 percent to 21 percent.[14] By 2060, when many millennials are at or near retirement age, the U.S. population will be "majority-minority," with over half (56 percent) of Americans identifying as Hispanic and/or non-White.[15]

These demographic shifts have considerable implications for the retirement security of millennials as a whole, due to stark racial disparities in wealth and incomes. In 2013, the median net worth of White households ($141,900) was 10 times the median net worth of Hispanic households ($13,700), and 13 times the median net worth of Black households ($11,000).[16] Similarly, the median income of White households in 2014 was $57,355, compared to $42,748 for Hispanic households, and $35,481 for Black households.[17] Although Social Security's benefit formula replaces a higher percentage of the incomes of low earners, these benefits are still lower than those received by higher earners, leaving them less able to contend with high healthcare costs and benefits that fail to keep pace with the costs of living experienced by seniors and people with disabilities.

Yet, for many beneficiaries, especially Black and Hispanic retirees, Social Security is the main, and frequently only, source of income in retirement. In 2012, Social Security benefits represented 90 percent or more of the incomes of over 2 in 5 (46.4 percent) Black beneficiaries ages 65 and over, and over half (52.6 percent) of the incomes of Hispanic beneficiaries the same age.[18] With the growing diversity of the American population, future retirees may find themselves even more dependent upon Social Security's modest benefits to meet their healthcare and living costs.

Like Higher Education, Social Security is an Investment Young Americans Need

Not only are millennials the most diverse generation in our nation's history, but they are also the most educated. [19] In 2013, 34 percent of Americans ages 25-32 had obtained at least a bachelor's degree, compared to just 24 percent in 1979.[20] This increasing pursuit of higher education is not simply an investment in human capital; it is an economic necessity. Among young workers over the past several decades, the economic prospects of high school graduates and their more educated peers have diverged, with the typical high school graduate earning $17,500 less than his or her peers with a bachelor's degree or higher in 2013, compared to a difference of $9,690 in 1979.[21]

Yet, even as higher education becomes even more critical to the economic security of young workers, the costs of pursuing postsecondary degrees have risen sharply. In 1982-83, the average cost of attending a 4-year undergraduate institution was $10,385. By 2012-13, that cost had more than doubled, to $23,872.[22] Faced with these rising costs, young Americans have taken on increasing levels of debt to pay for the degrees that are necessary to their economic security and mobility. Since 1989, the percentage of American families with outstanding student loan debt has more than doubled, from 8.9 percent to 20 percent in 2013. And among these households, the median student loan balance has nearly tripled, from $5,400 in 1989 to $16,000 in 2013.[23] In the past decade alone, aggregate student loan debt for all Americans has nearly tripled, from $434.5 billion in 2006 to nearly $1.2 trillion in 2015.[24]

Yet, while the costs of obtaining a postsecondary degree have doubled, and households have had to take on ever-increasing educational debt, wages have remained virtually stagnant. From 1986 to 2013, median annual earnings of full-time workers increased just $1,422 in real dollars.[25] Unless the trends of growing educational costs and stagnating wages reverse, student loan debt will have serious implications for the retirement prospects of millennials, since many will have to put off saving in order to pay off their debts—leaving them with fewer resources in retirement other than their Social Security benefits. Indeed, these debts may even follow young Americans into retirement, since benefits can be garnished to pay outstanding student loan debts.[26] Unless legislation is passed to prevent the garnishment of Social Security benefits for federal debt, such as the *Protection of Social Security Benefits Restoration* Act introduced by Senator Ron Wyden (D-OR),[27] a growing number of future Social Security beneficiaries may likely see their benefits garnished to offset the loans that they took on as a necessary investment in their future earnings.

Millennials Need Social Security Expansion, not Cuts

Today's young workers came of age in the wake of the Great Recession, beginning their working years in a period of economic upheaval and uncertainty. Policymakers are right to seek solutions that will help this generation of Americans to establish economic security and independence during their working years. However, proposals that would cut Social Security—whether today or in the future—with the goal of securing benefits for future retirees would only hurt those they claim to protect.

Social Security was created during a similar period to the one that has shaped the formative years of today's young workers: the Great Depression. Then, Social Security was introduced as a cornerstone in a suite of economic policies, known as the New Deal, which created jobs for young workers, invested in national infrastructure, regulated big banks, and protected workers' rights.[28] Today, Social Security should remain a cornerstone of policies that target today's economy and the needs of young workers, such as: raising the minimum wage, closing the gender pay gap, and the adoption of paid family leave.

These policies would not only help to improve economic security for today's young workers, but many would also reduce inequality and improve Social Security's long-range solvency, as workers begin to receive higher wages and, consequently, make larger contributions to the Social Security trust funds. These policies, in combination with steps such as eliminating the cap on payroll contributions and asking higher earners to make contributions on unearned income, could also help to finance a much-needed expansion of Social Security benefits. There is no question that, as the wealthiest nation in the world at the wealthiest moment in our history, we can afford both to expand Social Security and spend more on younger Americans, if we choose to do so. Indeed, countries that spend more on seniors also tend to spend more on children, while those that spend less on one group tend to spend less on the other as well.[29]

Millennials, like the generations before them, recognize that Social Security is an intergenerational compact, in which workers make contributions to fund current benefits, while earning vital insurance protections for themselves and their families. They know that their parents and grandparents have earned the benefits that they receive, and want to ensure that these benefits are not cut. A clear majority of millennials (77 percent) say they "don't… mind paying Social Security taxes because it provides security and stability to millions." Indeed, although opponents of Social Security claim that cuts are needed, nearly 7 in 10 (69 percent) millennials agree that "we should consider increasing Social Security benefits."[30] Just as millennials are willing to pay for and protect the benefits of today's Social Security beneficiaries, policymakers who seek to ensure the economic security of today's young Americans should be willing to expand Social Security, for today's beneficiaries, and tomorrow's.

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