

# Addressing the realities of Inequality and Social Security and Retirement Security

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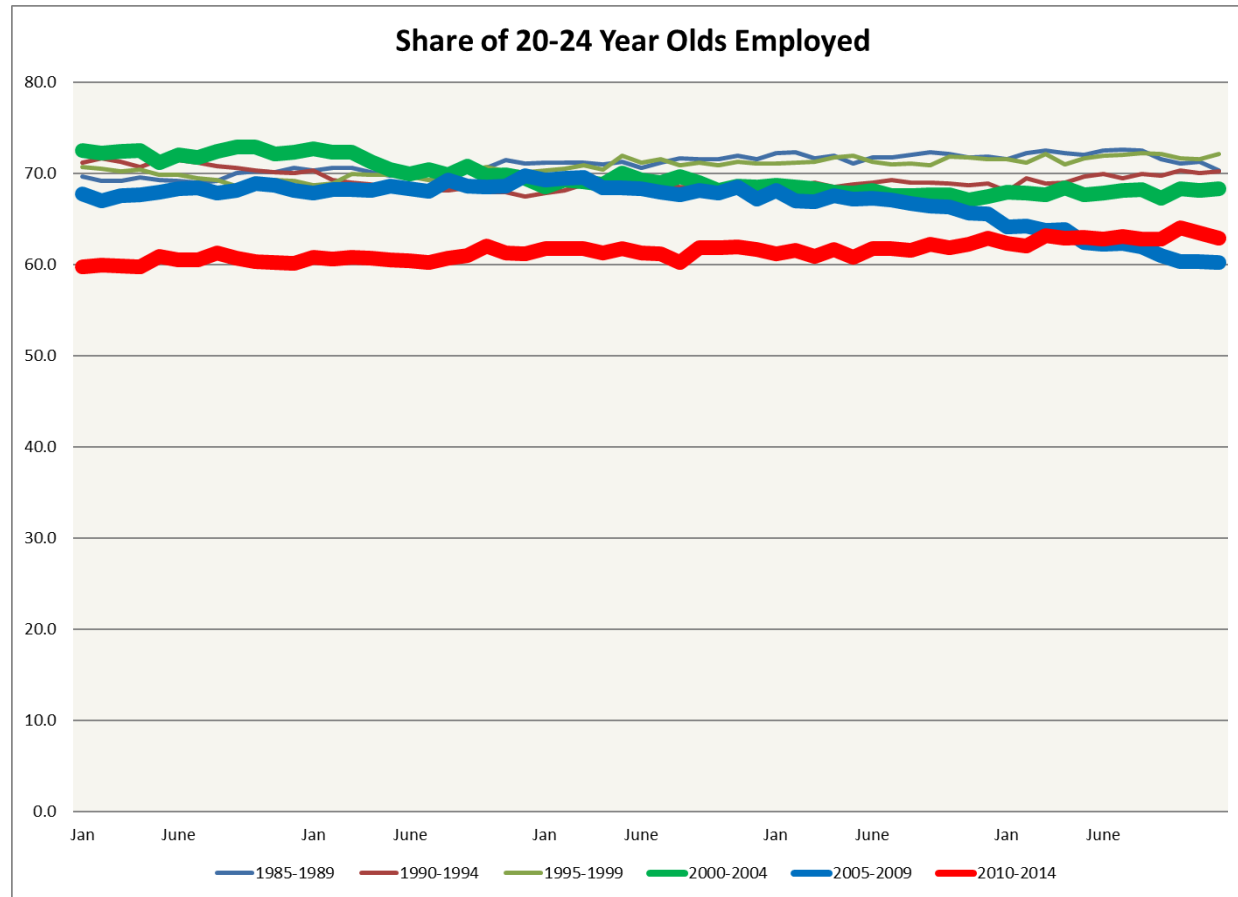
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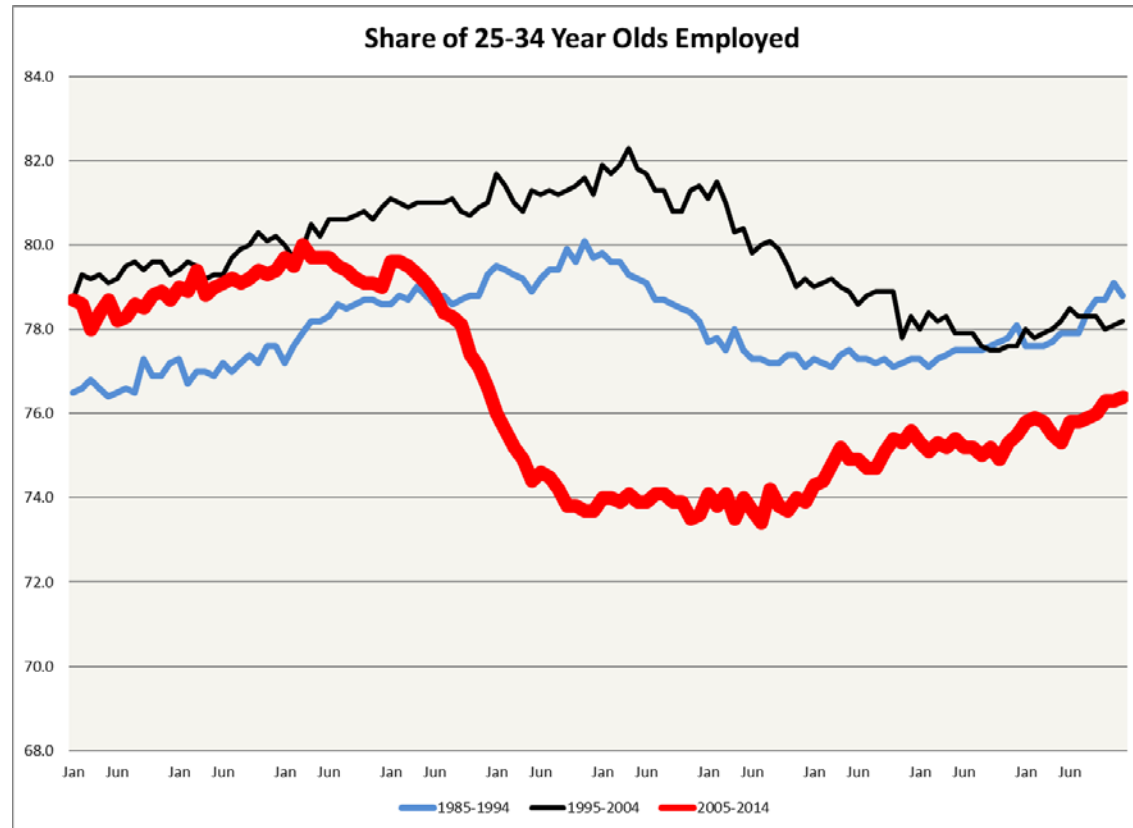
# A problem of birth cohort inequality

- Social Security insures against poor timing for retirement and fluctuations in the stock or bond markets
- It needs to be also sensitive to poor timing for entering the labor market

This is now the case, as those entering the labor market since 2000 are disadvantaged compared to those who entered earlier

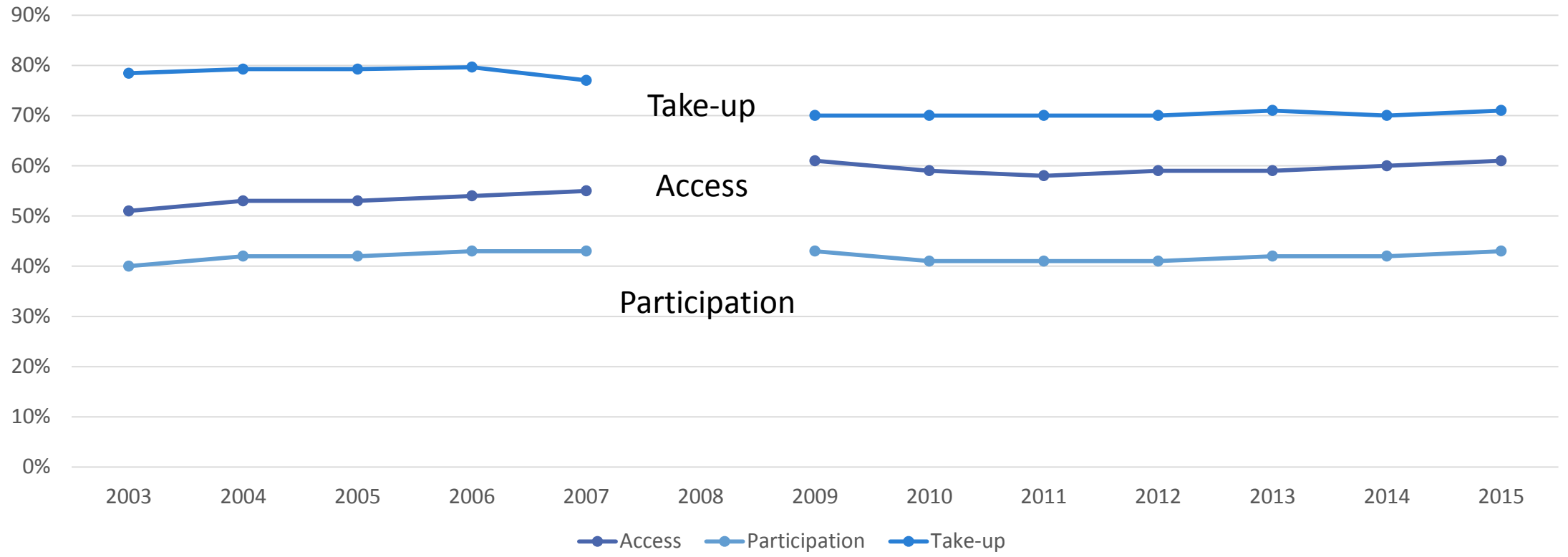


# And, this disadvantage persists through the formative career period 25-34



# There is no simple fix, like auto-enrolled DC plans

## DC Plan Access, Participation, & Take-Up Rates, Private Industry Workers, 2003-2014



Department of Economics



Sources: Bureau of Labor Statistics, National Compensation Survey for Various Years. <http://www.bls.gov/ncs/>

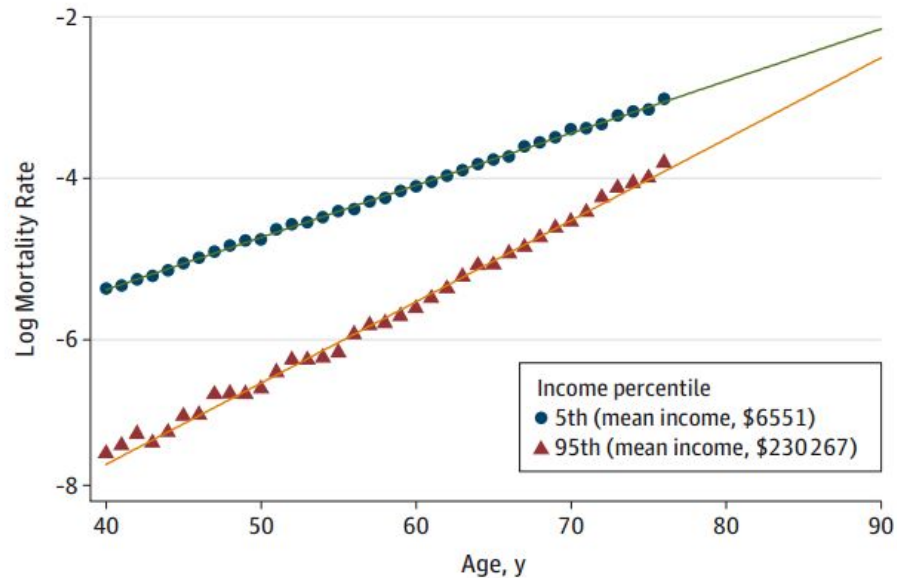


# This means:

- Research should show how the retirement preparation will be greatly retarded for this cohort. It should realistically model the existing gaps in employment history and the low take-up rate for workers in 401(k) plans, as well as reasonable projections of employer matches to those plans so we can understand the plight of this birth cohort.
- Research should show how an expansion of benefits could be a way to address disparities in retirement readiness that will confront this generation, or more broadly, how benefits could be adjusted to address birth cohort effects from labor market failures.

# Key: Everyone isn't living longer equally—the rich are living longer

A Log mortality rates for men



Source: [http://scholar.harvard.edu/files/cutler/files/jsc160006\\_01.pdf](http://scholar.harvard.edu/files/cutler/files/jsc160006_01.pdf)

# Or, the rich don't die as early

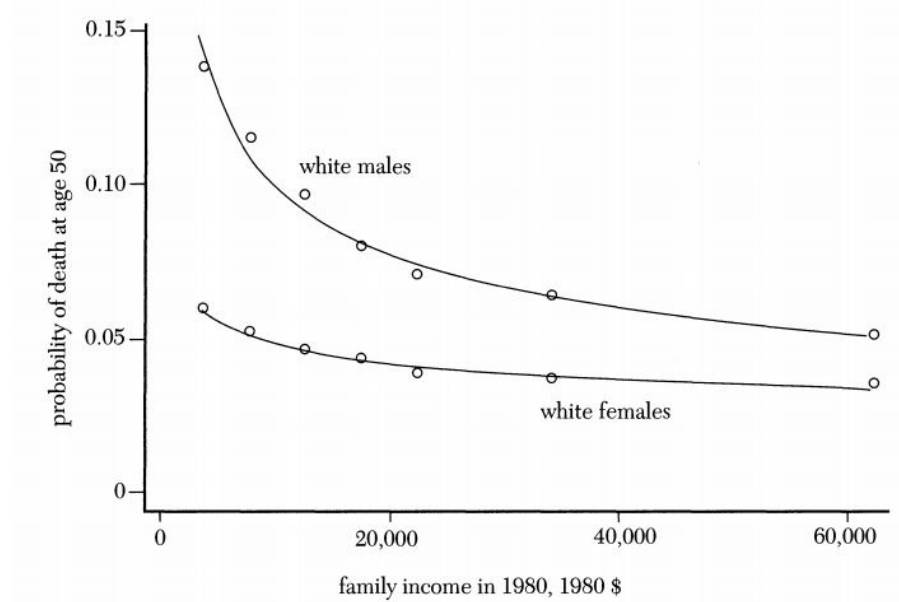


Figure 2. Age Adjusted Probability of Death and Family Income, National Longitudinal Mortality Study

Source: Author's calculations from public use sample of the NLMS.

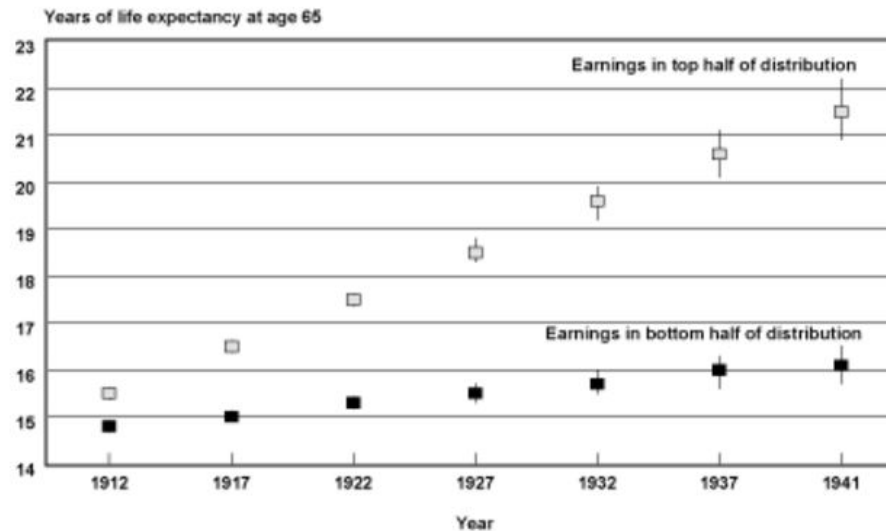
Note: Probability of death is the probability that a 50-year-old man or woman at the time of interview (around 1980) died during the follow-up period of 3,288 days. Restricted to people aged 15 to 85 at the time of interview.

Source: [http://www.princeton.edu/rpds/papers/Deaton\\_Health\\_Inequality\\_and\\_Economic\\_Development\\_JEL.pdf](http://www.princeton.edu/rpds/papers/Deaton_Health_Inequality_and_Economic_Development_JEL.pdf)



# This relationship holds from many data sources and researchers, including Social Security

Chart 3.  
Cohort life expectancy at age 65 (and 95 percent confidence intervals) for male Social Security-covered workers, by selected birth years and earnings group



SOURCE: Author's calculations using a matched 2001 Continuous Work History Sample.

NOTE: Confidence intervals for 1912, 1917, and 1922 are so small that they are not visible on the chart.

Source: <https://www.ssa.gov/policy/docs/ssb/v67n3/v67n3p1.html>

# And headlines remind us: Life expectancy for less educated whites is falling

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## Life expectancy for white Americans declines

Published April 20, 2016 · The Wall Street Journal

Life expectancy fell for the U.S. white population in 2014 and remained flat for all

The Washington Post

### PASSION

Go The People

## Life span for uneducated white women is lower than that of uneducated black women

By Diana Rennie | September 9, 2016

While most Americans can look forward to living longer than ever, that's not the case for white women who didn't graduate from high school. Their life expectancy has actually dropped by five years — from 79 years in 1990 to 74 in 2008.

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# Yet, Social Security revenues lost to earnings above the cap grows



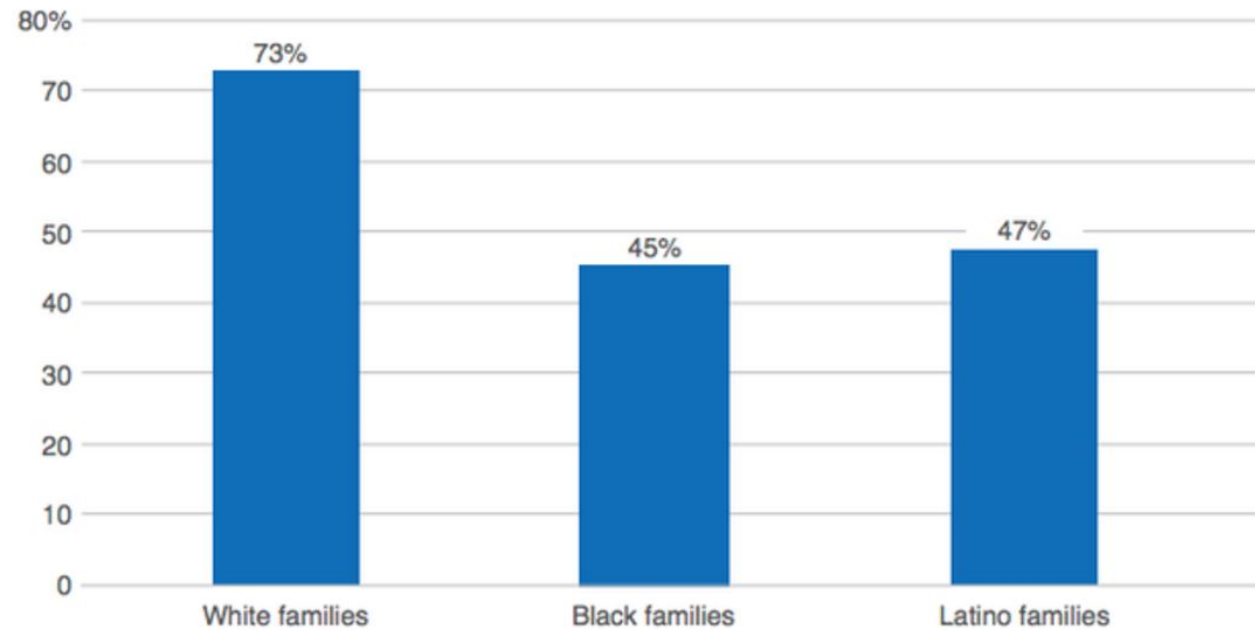
Source: <https://cdn.americanprogress.org/wp-content/uploads/2015/02/SocialSecurity-brief3.pdf>

# These all point to:

- We should have research that clearly reflects the correlation between income and life expectancy, and show how raising the cap on the Social Security FICA contribution would address the gap between expenditures from rising life expectancy and the extent to which it would be tied to the increased revenue of raising the cap.

# Racial wealth inequality cannot be ignored

**Figure 2. Homeownership Rates**



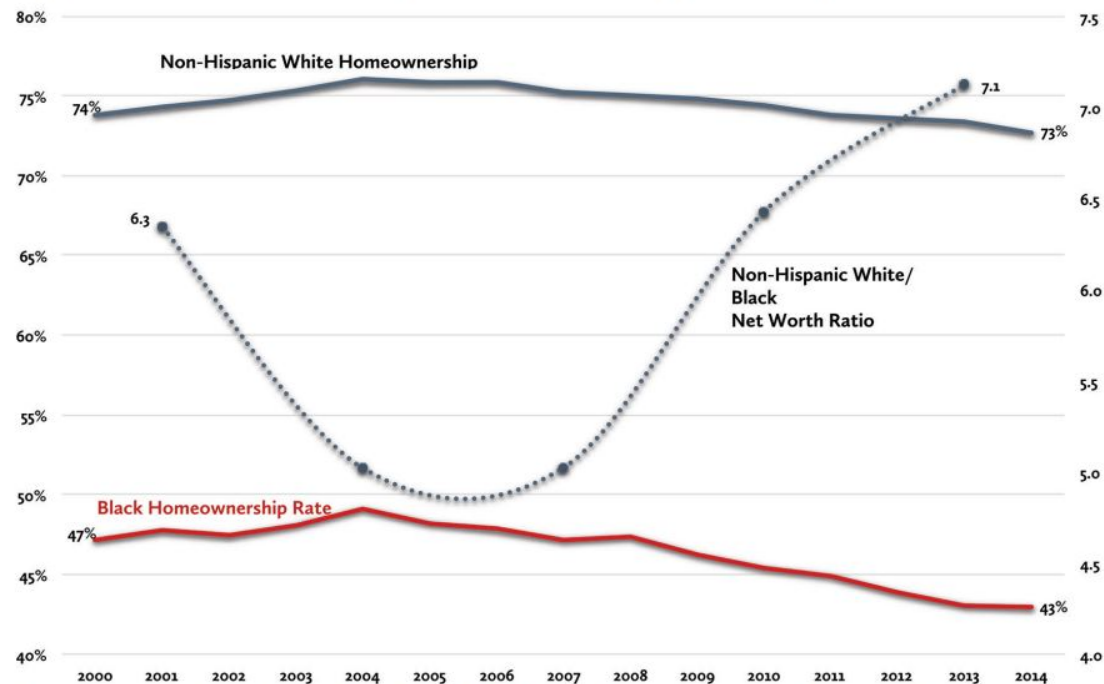
Source: Survey of Income and Program Participation (SIPP), 2008 Panel Wave 10, 2011

Racial disparities in homeownership rates, according to 2011 data. (Demos)

Source: [http://www.demos.org/sites/default/files/publications/RacialWealthGap\\_1.pdf](http://www.demos.org/sites/default/files/publications/RacialWealthGap_1.pdf)

# The great recession has exacerbated the home ownership and wealth gaps

Figure 1. Homeownership and Net Worth, 2000-14



Source: Current Population Survey/Housing Vacancy Survey, 2001-14; Survey of Consumer Finances, 2001-13); *Wall Street Journal*.

Source: <http://www.nareb.com/site-files/uploads/2016/08/NAREB-SHIBA-REPORT-2016-final.pdf>

# A research agenda

- We promote home ownership through social policy for private gain
- A useful research agenda would be to simulate gifting of the housing GSEs to the Social Security Trust Fund and examining how such a shift might affect the size of the trust fund, and examine how the expanded trust fund might be used to expand Social Security. In particular, is there an expansion of the benefit formula which might create more equity between those who retire as home owners and those who do not. And, research may be helpful on the issue of capture in financial regulation, on whether the GSEs might avoid capture if they were held by the Social Security Trust.