



Senate Special Committee on Aging
Bridging the Gender Gap: Eliminating Retirement Income Disparity for Women
Testimony of Barbara Kennelly, President
National Committee to Preserve Social Security and Medicare
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Mr. Chairman and Ranking Member Kohl:

Thank you so much for inviting me to speak to you on the important issue of women's financial security in retirement. I greatly appreciate this opportunity.

The National Committee to Preserve Social Security and Medicare is a grassroots advocacy organization representing 4.6 million members and supporters. As our name indicates, our primary mission is the preservation of Social Security and Medicare, because these programs are the lynchpin of senior's retirement security. But we also care a great deal about other issues that affect the quality of life of America's retirees.

The question of women's retirement security is, of course, a critical one as our nation looks to the future. The main reason is that we women live *forever*. We also tend to reach retirement age with fewer resources than men. That means we have less money that must be stretched out over a longer period of time.

As you know, retirement used to be thought of as a three-legged stool, with Social Security, employer-sponsored pensions, and personal savings making up relatively equal legs. Over time, however, it's become increasingly clear that the three-legged stool has become more like a bar stool, with Social Security forming the central pillar upon which retirement rests. This problem is not unique to women – men are also relying increasingly on Social Security in retirement. But the problem is particularly acute for women because of the combination of longer life expectancies and fewer resources.

Because other witnesses will discuss pensions and personal savings, I will concentrate on what is increasingly becoming the central pillar of retirement – Social Security.

According to the Social Security Administration, women reaching age 65 in 2004 are expected to live, on average, an additional 20 years compared with 17 years for men. Women represent 58% of all Social Security beneficiaries age 62 and older, and approximately 70% of all beneficiaries age 85 and older.

For all the reasons your other panelists have mentioned, women are much more heavily reliant on Social Security than men are. Social Security is the only source of retirement income for 29% of unmarried elderly women. Those women who have other income are still highly dependent on Social Security. For unmarried women over age 65, Social Security comprises 52% of their total income, compared with 38% for unmarried elderly men, and 35% for elderly couples. Were it not for Social Security, more than two-thirds of elderly women would live in poverty.

Social Security has two protections that are particularly important to women. First, the benefit lasts as long as we live, so there's no risk of outliving our assets. Second, the program's Cost of Living Adjustment helps protect against the ravages of inflation. This is a feature that does not exist in most other sources of retirement income, and it is particularly critical for women because of their longevity.

While we disagreed with the President on his proposal to divert payroll taxes into private accounts, we absolutely agree on the need to strengthen the program's long-term solvency, particularly as we stand on the eve of baby boomer retirements. According to projections by the Census Bureau, over 7,900 people a day – or 330 an hour – will turn age 60 during 2006 alone. It is absolutely crucial that our nation be prepared for this wave of seniors.

One issue that often comes up during discussions of Social Security's solvency is the question of raising the retirement age. As you know, it is currently 67 for those born in 1960 or later. Raising the retirement age is perceived to address two key problems – the solvency of retiree programs such as Social Security and our economy's need for a sufficiently large workforce. Yet there is a significant disconnect between older worker's expectations and reality where staying in the workforce is concerned. Surveys, including one done recently by AARP, show that more than two-thirds of today's older workers, and 80% of baby boomers, plan to work in retirement. But the reality is that over half of Social Security beneficiaries retire at age 62 and almost 80% are retired by age 65.

The reasons for this are varied. In many cases, workers who expected to keep working into retirement find that their health deteriorates to the point where they cannot continue. In other cases, they lose long-held jobs through no fault of their own and then have difficulty finding other employment. According to a recent study by the Congressional Research Service, only 60% of men and 55% of women who lost their jobs at 55 years of age were employed two years later. Finally, there are those whose employers offer incentives for early retirement, and when the employees take the offer they often find it difficult to re-enter the workforce.

When employers are surveyed, they seem to acknowledge the problem, but have done very little to address it. Nationwide, over 40% of the U.S. workforce is estimated to be eligible to retire over the next 5 years, and over one-half of employers believe this will lead to a workforce shortage. Yet recent surveys show only 14% of employers have any kind of formal program to retain or attract older workers.

My point is that keeping older workers employed is not as simple as raising the retirement age. Much work must be done to educate employers on the value of an older workforce. And incentives must be provided to help alleviate the costs of retaining longer tenured workers. On the employee side, we must identify and remove the disincentives to continued work that exist today.

While some studies show that the cost difference between employing workers aged 50 and older and younger workers is only 1% to 3%, the cost of employing older workers is a pervasive theme in employer surveys. Not only are older workers likely to have higher salaries because of their long service with the employer, but the cost of their healthcare and pension benefits is also higher than that of younger workers. While the turnover costs of replacing any experienced worker can reach 50% of the worker's salary, this expense can seem small when compared to the higher overall compensation cost. These concerns clearly must be addressed if we expect employers to accommodate the needs of older workers.

On the employee side, according to a recent survey by Towers Perrin, the top three factors identified by workers aged 50 or older as keys to their decision to continue working for a company are the availability of a

competitive healthcare package, the ability to continue participating in the retirement plan, and the ability to strike a balance between work and home.

Yet, according to the Bureau of Labor Statistics, only 11 percent of workers participate in a formal flexible work program, only 27 percent of part-time workers have access to retirement benefits, and only 22 percent of part-time workers have access to health benefits. The disconnect between the needs and expectations of older workers and their employers cannot be more obvious.

That is why I find proposals such as Senator Kohl's Older Worker Opportunity Act a tremendous step in the right direction. His bill focuses on the issues that are key to both employers and older workers, in an effort to address the concerns of both partners in the employment equation. His bill acknowledges the desire of older workers to have a better balance between work and their home life by encouraging employers to offer part-time work. And he addresses the concerns expressed by both workers and their employers by helping subsidize the cost of allowing these part-time older workers to continue receiving health benefits and to continue participating in company pension plans.

The key mechanism for accomplishing these goals in S.1826 is through the tax code. By providing a tax benefit for companies who employ older workers while allowing them to work part time, keep their health care coverage and participate in the company retirement plan, I believe this legislation could go a long way toward paving the way for significant increases in older worker employment.

Mr. Chairman, as our society ages, the need to keep older workers employed will become a much higher priority for both workers and employers. Now is the time to explore the impediments for senior employment and begin removing them. This hearing in and of itself is an important step in highlighting the problem, and I believe bills such as the Older Worker Opportunity Act are good first steps toward that goal.

Thank you again for inviting me to join you this morning.