



Why Retirement May Never be Possible for Many U.S. Workers - Unless America Creates a Stronger Social Contract

Mary Gatta, National Association of Colleges and Employers

After lifetimes of work many Americans are ill-prepared for retirement. Current trends indicate that, in coming years, fewer and fewer American workers will be able to comfortably retire from the workforce – and the prospects are especially dim for low-wage workers who have difficulty paying for basic living expenses, have little to no savings or other means to afford aging with economic security. My new book *Waiting on Retirement: Aging and Economic Insecurity in Low Wage Work* investigates the current situation these workers face as they prepare for their future. The outlook is not rosy. With inadequate personal savings, many Americans depend on Social Security as their main – often only – source of guaranteed income in retirement. However, the benefits to which they are entitled are often not enough to provide economic security. The average benefit, in fact, is just over the federal poverty line.

Retirement – in the traditional sense of relaxing after a lifetime of work – has become an elusive dream, not financially viable for millions of Americans. Unless policymakers, advocates, and researchers work together to address underlying issues, many more will never enjoy retirement.

The Retirement Reality

More than 50% of elderly individuals and couples lack basic economic security in retirement according to a 2015 report from Wider Opportunities for Women. In 2015 the Government Accounting Office **reported** that 45% of all working households have **no** retirement savings accounts. In households with members over age 55, nearly 29% have neither savings nor traditional pension plans, regardless of whether they spent their careers in low-wage or middle-wage jobs. Although the situation for current retirees is alarming, the picture is worse for those approaching retirement age. Some 45% of 35 to 44-year-old workers have no retirement savings – and the same is true for 43% of workers 45 to 54 years old and 40% of those 56 to 64 years old. Because these workers can neither meet their daily needs nor save, many of them worry that they will have to work until they die.

A 2016 study by economists Tony James and Teresa Ghilarducci found that the average retirement savings balance for an American between ages 40 and 55 is \$14,500 and the median in a 401(k) account is \$18,433. The situation is worse for older Americans.

The Retirement Crisis for Low-wage Workers

In 2015, a stunning 35 million Americans – 26 percent of the U.S. workforce – earned less than \$10.55 an hour as they toiled in low-wage jobs proliferating in hospitality centers, retail stores, and childcare and health care systems. Not only do these positions pay little, they rarely offer retirement savings plans or health care benefits. A 2016 **report** from the Federal Reserve found that 44% of Americans could not cover an emergency expense of \$400. For women and people of color, wages and benefits are lower than for others. Too many Americans seem unlikely to see the restful golden years they thought their hard work promised them.

How did America get to this retirement crisis? Social Security was never meant to provide all retirement income, but the decline of access to traditional employer pension plans and the decreasing value of wages have diminished other sources of support. Millions of workers with no access to employment-based retirement savings programs are facing shortfalls and long term economic insecurity when they can no longer work. Remaining employee benefit and contribution plans have methodically transferred risks from employers to workers – with growing gaps across race, ethnicity, gender, marital status, and education levels.

A New Social Contract for Retirement

Americans have increasingly been asked to prepare and plan for their retirement themselves. Safety net programs – food programs, affordable housing, general assistance, disability and health care supports – that kept many afloat during their working lives are shrinking just when they need it the most. Clearly, the country needs a new *social contract* for workers – one that ensures security both during working years and when people can no longer work.

To begin the process of developing this new social contract, policymakers and other civic leaders must address three key issues:

- Secure retirement for workers follows from economically secure work lives. This requires the development and improvement of jobs that offer fair, non-discriminatory wages and adequate benefit packages. Buffers for crises along the way such as paid family leave and paid sick days are also important, as are career ladders that offer real advancement over workers' lives.
- Workers must have access to a mixture of social safety net programs and savings vehicles that provide the resources needed to retire with dignity. Social Security needs modernization, including by the institution of a minimum benefit level to ensure no American lives in poverty upon retirement – and improved benefits for those at the lowest levels. In addition, the program should revise current care-giving penalties for those who must take time out of the labor force to care for family members.
- Health care concerns are paramount in the minds of retirees and workers alike. Affordable health care must be available for working aged individuals as well as retirees. A new *social contract* should rest on the premise that health care is a right, not a privilege, for all Americans regardless of their current employment status.

The path to economic security is complex and interconnected. It should be a national priority to fashion a new, robust social contract that ensures a secure future for every worker and retiree.