Bridge Benefit for Older Workers

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ENSURING ADEQUACY FOR WORKERS

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AARP Real Possibilities

Bridge Benefit for Older Workers

Proposal Details:

Many older workers face barriers to work, either due to severe health problems or because they cannot find a job that will allow them to continue working. Health appears to be an even bigger determinant of older workers remaining in the workforce than having a job that pays decent wages and provides health insurance.[1] Many older workers live with one or more chronic health conditions that make working longer unreasonably difficult, but which are not severe enough to trigger eligibility for Social Security Disability Insurance (SSDI) benefits. Health conditions like arthritis, back and knee pain, carpal tunnel syndrome, high blood pressure, diabetes, and heart disease are common and often occur in combination. Depression is also common among older adults. Meanwhile, long-term unemployment among older workers has risen over the past three decades and remains well above its long-term average, almost a decade after the Great Recession ended (Weller, 2019). Many older workers need to work but cannot find jobs.

To help struggling workers who can no longer work because they cannot find a job or are in poor health, we propose that workers aged 62 to 66 years old be offered a new form of Social Security benefits. Eligible workers would get an add-on benefit to their early retirement benefits – what we call a "bridge benefit." As we discuss below, our proposed bridge benefit fills the gap left by other cash and in-kind assistance programs; it is well-targeted; it can be administered in a straightforward way, and it is fully financed.

Qualifying older workers will get a benefit above and beyond their early retirement benefit that will bridge gaps in their income until they reach full retirement age. Beneficiaries will receive half of the difference between their full retirement benefit and the early retirement benefit at each age prior to the normal retirement age, starting at age 62 years (see Table 1). Under current rules, when the full retirement age reaches 67 years, a worker who retires at age 62 will get benefits that are permanently 30% below their full retirement benefit. If they retired at age 63, their benefit would be permanently lower by 25%, and if they retired at age 64, it would be 10% below their full retirement benefit. With our proposed benefit, a qualifying worker who retired at age 62 would receive a benefit that is 15% below their full retirement benefit for one year. At age 63, their benefit would increase, so that it is 12.5% below their full retirement benefit. And at age 64, it would be 10% below their full retirement benefit (see Table 1). At age 67, a qualifying worker would begin receiving their full retirement benefit that they would have received if they had waited until age 67 to collect Social Security benefits (Table 1). Workers would then not experience the lifelong benefit cut they would see had they retired early without the bridge benefit. We have designed our supplementary proposal to reform savings incentives so that lower-income households can build some savings that can fill the gap between our bridge benefit and full retirement benefits at age 67 at younger ages from 62 to 66 years, as we discuss below.

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[1] Lumsdaine and Mitchell (1999) review the link between labor market conditions and employment. Currie and Madrian (1999) offer a general survey of the link between health and labor force participation. Lindebloom (2012) provides a recent survey on the connection between work at older ages and health. Munnell et al. (2015) estimates the determinants of early retirement.

To target this additional benefit to workers most in need, we propose to cap it. This new benefit could not exceed the amount that would be received by a worker of the same age whose primary insurance amount (PIA) was based on 35 years of earnings equal to the average wage index (AWI). So, at age 62, for example, a worker who qualifies for our bridge benefit would receive 85% of their full retirement benefit as long as that amount is smaller than 85% of the PIA based on the AWI for that year. A qualifying worker would not receive an additional bridge benefit if their early retirement benefit is already greater than 85% of the full retirement benefit somebody would receive with 35 years of earnings equal to the AWI.

Workers will qualify for this new benefit if they meet specific criteria. Workers seeking the bridge benefit due to long-term unemployment will document that they have unsuccessfully looked for a job for at least six months. Workers can document their eligibility in a number of ways to ease the administrative burden on Social Security, discussed below. Individuals who can no longer work due to poor health will provide documentation from acceptable medical sources—licensed physicians, specialists, or other approved medical providers, confirming that they can no longer continue to work due to their health (Vallas & Fremstad, 2015). SSA will establish guidance setting forth health eligibility criteria. The range of potential health issues and required severity level of a worker's condition will be less restrictive than what is required for SSDI eligibility.

We propose to finance our new benefit with general revenue transfers. Specifically, we suggest changing the way the tax code incentivizes private retirement savings to both free up revenue that can pay for the new benefit and offer lower-income savers more effective savings matches. With more effective, and better targeted saving incentives, lower wage workers will arrive at older ages with more assets to finance their retirement needs.

FEASIBILITY: Please explain how your proposed policy concept is insightful into the needs and experiences of the target population. (Include an estimate of the number of individuals affected and/or share of the target population, a description of that population, and the potential impact. The latter should speak to how existing programs – i.e., Social Security, Unemployment Insurance, Disability Insurance, etc. – support that population, what the gaps are, and how your proposal would help fill/alleviate them.)

Our proposed benefit is tailored to meet several key needs. It is well targeted to older workers who can no longer work because they cannot find a job or because of health issues; it fills income gaps for this population left by other public programs; and it boosts workers' incomes enough to reduce the likelihood of living in poverty and facing material hardships in old age.

Many older workers can no longer work because they cannot find another job or because of health issues. Large numbers of workers start to withdraw from the labor market in their late 50s and early 60s. In need of additional income to get by, many have no choice but to turn to Social Security early retirement benefits. Workers who struggle the most – people with less education, people of color, and women – are also least likely to have significant savings to fall back on. They are also unlikely to get sufficient public assistance to meet income needs. Long-term unemployed workers, for instance, generally stop receiving Unemployment Insurance (UI) benefits after 6 months. Other public assistance programs such as Supplemental Nutrition Assistance Program (SNAP), housing vouchers and fuel assistance are unavailable to families with even modest incomes due to strict income and/or asset limits. Meanwhile, even workers who do qualify for public assistance often face administrative hurdles in receiving those benefits, and many eligible low-income individuals and families do not receive those benefits (Mills et al., 2011). For example, fewer than 1 in 5 eligible low-income families receive housing assistance. Moreover, in-kind benefits such as health insurance, food assistance, and housing assistance by definition do not provide income. This leaves Social Security early retirement benefits as the best option for struggling workers. However, by electing to receive benefits before reaching the full retirement age, these workers will receive permanently reduced early Social Security retirement benefits and many face poverty and material hardship in old age as a consequence.

Our bridge benefit is well-targeted to those with the greatest needs. We can approximate the share of newly eligible individuals that could benefit each year from our proposed benefit as the share of early retirees who retired unexpectedly due to labor market and health reasons. To start, we note that since 2016, about 53% of men and 58% of women retired early (SSA, 2019a). Nearly 40% of workers, 37% to be exact, retire sooner than they had planned, in part because of health and involuntary job loss (Munnell et al., 2015). An estimated 12.9% of older workers who retired early report they would have continued working if they had been in good health, and 5.3% of early retirees would have continued working if they had not been laid off (Munnell et al., 2015). Combined, these two groups represent about one-fifth of those retiring sooner than planned. Other beneficiaries such as spouses, children and parents would also see a bump in benefits since we propose to increase the Primary Insurance Amount (PIA) that determines their benefits as well. The ratio of total additional beneficiaries relative to one retirement beneficiary currently stands around 1.20 (SSA, 2019b). So, using these estimates - that 60% of new retirees are early retirees, 40% of early retirees retire involuntarily, 20% of involuntary early retirees do so because of job or health reasons and there are 0.2 additional beneficiaries for each retiree -- we estimate that 5.8% of new retirement beneficiaries annually would receive our new benefit.[2]

Our proposed benefit addresses the income needs of lower-wage workers who can no longer work. Workers will receive needed cash income to meet basic needs and help them avoid poverty and hardship, thus filling gaps in other social programs for both lower-income and moderate-income families. Workers can qualify for the benefit due to the most common reasons for premature exit from the labor market. The bridge benefit provides meaningful income gains for eligible workers. Their annual Social Security benefits will go up between a low of 3.5% for those retiring at age 66 and a high of 42.9% for those who retire at age 62 (Table 1).

Workers forced out of the labor market would then see meaningful income gains. For instance, take an individual who needs to retire at age 62 in 2020. Further assume that she will receive a monthly benefit of $1,150, including reductions for early retirement, which is approximately the median early retirement benefit.[3] Under our bridge benefit, she would receive an extra $243 per month immediately, which

[2] This number overstates the share of qualifying new retirees since we rounded up the underlying numbers.
[3] In 2017, the median amount for retirees aged from 62 years to 64 years was less than $1,050 (SSA, 2019a). Inflating this amount by projected inflation rates generates an approximate income of $1,134 in 2020 (SSA, 2019b).

gradually increases to $553 per month when she reaches age 67.[4] And the value of her full retirement benefit is preserved for the remainder of her life.

This additional income reduces the likelihood of older workers/retirees living in poverty. The federal poverty line for a couple 65 years and younger is $17,279 per year in 2020.[5] The additional bridge benefit would bring Social Security benefits from about three-quarters of the poverty line for two people to more than 96% in 2020. And the bridge benefit for a median early retiree would exceed the poverty line for two people by the time the worker reaches age 64.[6]

The bridge benefit also means workers would be more likely to avoid material hardships. Material hardships include not being able to visit a doctor when needed, to have enough food on a regular basis, and to pay for housing (HHS, 2004; Vallas et al., 2016). A couple that owns their house and owes no mortgage will need $39,752 in 2020 to avoid material hardships.[7] The bridge benefit would immediately raise the annual Social Security benefit from about one-third to over 40% of the income threshold necessary to avoid material hardships and it would increase to 49% of the threshold by age 67.[8] Combined with a spouse's benefits, typical eligible early retirees could come close to avoiding material hardships. Our proposed benefit would thus substantially increase financial security for retirees who need to leave the workforce early.

What is the expected cost of your concept, including its impact on the long-term financing of Social Security?

The costs of our proposed new benefits to Social Security are manageable. To arrive at an approximate cost, we build on the intermediate cost assumptions of Social Security's 2019 Trustees Report (SSA, 2019b). We then calculate the share of additional benefits relative to OASI costs from 2020, the first year beneficiaries would be eligible for the new benefit, to 2095.

We first calculate the weighted average of the benefit increase among early retirees each year in two alternative ways. Under one option, we assume that the future age distribution of bridge benefit-eligible beneficiaries resembles the current age distribution of early retirees. Under the second option, we assume that all qualifying beneficiaries collect the new benefit at age 62. In this way, we estimate lower- and upper-bound cost estimates.

We then calculate the gross inflows and outflows of additional benefits each year. We use the Trustees Report's single-year supplemental projections to calculate the gross inflow and outflow of retirement beneficiaries each year (SSA, 2019b). We apply the share of new benefits to both inflows and outflows to arrive at the stock of new benefits payable in each year from 2020 to 2095. We scale the flows by assuming that only 60% of inflows are for early retirees and that early retirees will receive on average

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[4] The early retirement benefit increases annually with 2.6% inflation here (2019b).

[5] This number is equal to the poverty line for two people, which was $16,414 in 2017, once it is inflated by the projected inflation rate from the Social Security Trustees Report (Census, 2018; SSA, 2019b).

[6] Calculations based on Census (2018) and SSA (2019b).

[7] This is the inflation-adjusted threshold for 2020, which was equal to $30,576 for a couple that owned their house without a mortgage in 2006 (CSDRA, 2019; SSA, 2019b).

[8] Calculations based CSDRA (2019 and SSA (2019b)

76% of the benefit of full retirees – in proportion to the current ratio of benefits to early retirees relative to benefits to full retirees.

The new benefit has manageable costs over the long run. Under Alternative I, the costs of the additional benefits will remain below two percent of total projected program costs (Figure 1). Under Alternative II, the costs will gradually rise to 6% of total OASI costs (Figure 1).

Alternative II likely represents an outlier of the total costs. First, the underlying assumption of the number of eligible workers already overstates the target population, as discussed on page 3. Second, workers have incentives such as additional increases in the PIA and waiting periods to remain in the workforce as long as possible, not to mention additional earnings. Third, our calculations cannot account for the cap on additional benefits, which will lower the costs somewhat. The added benefit's costs will thus remain well below 6% of projected OASI costs.

The administrative costs of our proposed benefit are small. Workers who seek the bridge benefit because of long-term unemployment will need to provide documentation of unsuccessful job searches for at least six months. They will need to compile weekly reports to show where they applied for a job and which job interviews they had. This documentation is similar to that necessary for workers with UI benefits to maintain their benefit eligibility (DOL, 2019a). To ease the administrative burden, workers would also automatically qualify for the bridge benefit if they have already received UI benefits for at least six months or if they qualify for other, similar federal benefits such as Trade Readjustment Allowances (TRA) and Disaster Unemployment Assistance (DUA) (DOL, 2019b). Workers will submit their documentation to the Social Security Administration (SSA) when they apply for the bridge benefit and SSA will make a determination within 30 days of receiving the documentation.

Workers who face substantial health issues will qualify for the bridge benefit if an acceptable medical source confirms that they can no longer reasonably work because of a health condition. SSA will establish guidelines on qualifying health conditions. SSA will review this certification and determine a worker's eligibility within 30 days of receiving the documentation.

Workers will have the right to appeal a denial within 30 days and SSA must respond to the appeal within 60 days, per the agency's existing appeal process and structure. The application and review process will be streamlined and made available online to minimize SSA's administrative burden as well as the burden to applicants.

Our benefit offers struggling workers necessary flexibility. Workers qualify for our proposed bridge benefit either because they can no longer work or because they suffer from severe health issues (or both). The twin challenges of health limitations and finding suitable work are connected and often overlapping. Because we do not establish separate benefits in case of long-term unemployment and of health obstacles, struggling workers can more easily qualify for the benefit when they can no longer work.

Our proposed benefit also addresses each worker's unique situation. Unemployment and health issues can vary with a wide range of factors that are often outside of a worker's control. These can include local labor market conditions, personal skills and education in addition to age in the context of long-term unemployment. Moreover, workers could experience health problems because of their jobs' characteristics, local conditions such as availability of sufficient health care providers and individual health pre-dispositions. Workers would qualify for our benefits based on their own experiences and conditions, assuming that those conditions meet predetermined thresholds. This makes our proposed benefit again well targeted.

We propose to fully pay for the new benefit with general revenue transfers. We specifically propose reforming current retirement savings incentives, so that the government spends less on the aggregate amount of savings incentives and that they become more effective for lower-income earners. The federal government alone forewent $212 billion in fiscal year 2019 for retirement savings incentives (TPC, 2019). And the current savings incentives in the U.S. tax code, mainly exclusions and deductions from taxable income, strongly favor higher-income earners and offer few financial incentives to those who arguably have the greatest need to save more and face the greater difficulty doing so (Weller, 2016; Weller & Ghilarducci, 2015).

We propose to reallocate the total amount of savings incentives in two ways. For one, we propose to create a tax credit for workers to save. Every saver would receive a federal savings match in the form of a refundable tax credit. Every worker would receive approximately 20% of their savings as a match (Gale, 2010). This tax credit would substantially increase incentives for lower-income earners to save. Further, we propose to use some of the money that is currently spent on savings incentives to pay for the new bridge benefit. The reform of savings incentives could set contribution limits, above which savers no longer would receive a matching tax credit. This would make the savings credit progressive and provide the resources to finance our proposed new Social Security benefit through general revenue transfers.

Describe the evidentiary support for your proposed concept, including the ways in which it is cost-effective.

Our proposed bridge benefit and its financing will help achieve several, interrelated goals. The benefit is well designed to help the workers that struggle the most; the proposal creates better ways to help low-income workers save more; the benefit is fully financed and the proposal includes provisions to reduce unintended consequences.

First, the bridge benefit offers a targeted, meaningful economic improvement in the lives of struggling, older workers, as we already discussed.

In the same vein, it creates meaningful administrative requirements that ensure that only those workers who can no longer work will receive the new benefit. The administrative requirements incentivize workers to stay in the workforce as long as possible, thus somewhat offsetting the financial incentive to apply early for the new benefit. In practice, many workers tend to respond to actuarially fair incentives (Henriques, 2018). Demand for the new benefit could consequently go beyond the target population. In that case, the underlying incentives and administrative requirements are meant to ensure that only those in the target population receive the new benefit, without being too onerous. For one, in the years preceding the full retirement age, beneficiaries will still receive less than their full benefit. Moreover, our proposed benefit creates a six-month waiting period based on job options, although that job search time could happen prior to age 62. Furthermore, a worker's benefits would still be based on her earnings records so that working past age 62 would raise her benefits as it does now. Finally, workers, who are in poor health will need to receive documentation from acceptable medical sources for a range of specific, administratively determined health conditions. Those health conditions (and the difficulties they bring to affected individuals) exist with or without our benefit. Social Security will regularly review guidelines to ensure program integrity.

Second, we assume that many of the workers who qualify for the new bridge benefit will have some savings to supplement their benefits until they reach the normal retirement age based on our new and targeted savings incentives. Our supplementary tax reform will help lower-income workers build such savings. Research has repeatedly demonstrated that lower-income workers can and do save if they receive meaningful financial incentives (Schreiner, 2006; Duflo et al. 2006; Grinstein-Weiss, 2012; Azurdia et al., 2013; Consumer Insights Cooperative, 2019).

Third, our supplementary tax reform proposal would raise enough funds to fully pay for our proposed benefits. Social Security already receives some tax revenue transfers from the U.S. Treasury as part of its income. Specifically, taxes collected on Social Security benefits are credited back to the program. A number of Social Security reform proposals have in fact included provisions to increase taxes on Social Security benefits by lowering the exemption amount (Goss et al., 2008; Domenici and Rivlin, 2010).

Finally, our proposed benefit minimizes unintended consequences. For instance, a higher benefit for very low-income earners could offset their concurrent receipt of Supplemental Security Income (SSI). We want to be sure that qualifying beneficiaries get to keep their bridge benefit without counting against their SSI benefits so that beneficiaries are always better off with the additional bridge benefit. We thus propose that only the benefit amount that a worker would have received without the additional bridge benefit counts towards calculation of SSI benefits, and that the additional bridge benefit is excluded as part of the program's income disregard rules. Moreover, our benefit could in theory offer an extra benefit to a low-wage worker who is married to a higher wage worker. This possibility is limited by the fact that a worker needs to qualify for the benefit based on their own earnings record. Their own benefit needs to be greater than a spousal benefit, which limits the possibility that a low-wage worker married to a much higher-income earner will receive a benefit. And, a worker's own bridge benefit is capped, so that the benefit will primarily help low-income and moderate-income earners.

Confirm that your proposed concept would not adversely impact the existing DI system and, if needed, provide detailed back-up.

Our proposal will have no adverse effect on the SSDI program. It will increase qualifying workers' retirement benefits in the OASI program, separate from the SSDI program. We also propose to fully pay for this new benefit. It will then not impact existing revenue sharing arrangements between Social Security's OASI and DI trust funds. Moreover, we propose to keep Social Security's administrative burden for this new benefit to a minimum. This means that Social Security's administrative capacity can modestly expand and Social Security will not have to divert administrative resources from other activities. Finally, because some older workers may more easily qualify for the new proposed benefit than for SSDI, they may decide to apply for this new, albeit lower, benefit instead of SSDI benefits. SSDI enrollment then may experience a small drop off in demand as a result of our proposed new bridge benefit.

In theory, people could move from receiving the bridge benefit to SSDI prior to turning 67 if their health conditions worsen and now allow them to qualify for SSDI benefits. The incentives to doing so, though, diminish over time as the gap between the bridge benefit and full-retirement benefits gradually closes. Moreover, people who move from the bridge benefit to SSDI in all likelihood would have qualified for SSDI benefits without first receiving the bridge benefit, too. The bridge benefit would thus not increase the administrative burden for the DI program.

POLICY FOCUS: Describe your proposed policy's(ies') connections to and focus on existing policy at the federal level.

Current policy at the federal level has ignored the challenges that older workers face in the labor market when looking for a job or due to health issues. Regulation and social programs offer limited protections and thus limited income support. They may not apply to all struggling workers. Many workers may only receive temporary assistance, often at low benefit levels. The existing social insurance systems have many gaps through which older workers can fall.

When it comes to working longer, older workers often find that age discrimination is widespread. Older workers may disproportionately lose jobs and encounter greater difficulties in finding a new job when the economy is weak (Barnes, 2015; Terrell, 2018; Goesslin, 2019). The law to protect against age discrimination – The Age Discrimination in Employment Act of 1967 (ADEA) -- appears limited in its effectiveness and has been weakened over time (Barnes, 2015). Workers then receive only limited regulatory protections in their efforts to continue working, while they may face increasing labor market challenges as they get older. And while employment discrimination on the basis of disability is prohibited by the Americans with Disabilities Act and a variety of other federal protections, enforcement is a challenge and discrimination is widespread in practice. Older workers in poor health or facing disability thus face multiple layers of disadvantage in the labor market.

UI benefits offer limited support for those older workers who lost their jobs and cannot find new employment. The maximum duration of benefits is only 26 weeks and occasionally even less (Wentworth, 2017), even though many older workers are looking for jobs much longer. Moreover, an increasing number of UI benefit claims have been denied in recent years (Wentworth, 2017). And, UI benefits are low with an average of $361 in 2019 (DOL, 2019c). UI benefits do not address the challenges of older workers struggling to find a job for a long time. Meanwhile, just 1-in-4 unemployed workers receive UI as the program has grown weaker over time and failed to keep pace with a changing labor market (West et al., 2016).

In theory, workers with severe health limitations could also apply for SSDI benefits. But in practice, the application and review process is lengthy, leaving many workers waiting for months and years before they get benefits (Paletta & Searcey, 2011; Randazzo, 2012; CBS News, 2008; Friesen, 2008; Vallas & Fremstad, 2015; Wenger, 2012). Many older workers with health problems will not receive the necessary SSDI benefits at all or only with long delays.[9] Moreover, health conditions can limit people's ability to work enough to be a detriment to substantial work, but not sufficient to meet SSDI's stringent disability tests (SSA, 2019d; Vallas and Fremstad 2015).

Finally, Social Security's full retirement age has been rising from 65 years to eventually 67 years. This means workers will face larger, permanent benefit cuts if they need to apply for early retirement benefits, due to an inability to find work or to health issues. And eligibility for SSI benefits on the basis of old age is restricted to individuals aged 65 and older. Meanwhile, SSI benefits are modest and even at their maximum level remain inadequate to bring an individual even to the already low federal poverty line.

Our proposed benefit fills the gap between income needs and the limited and declining social insurance support for older workers who can no longer work. It would do so by offering targeted, substantial and fully financed cash benefits.

Our proposed benefit also improves retirement security for workers who can no longer work better than a range of alternative approaches. For example, one alternative to our proposal may be to make it easier for people to qualify for SSDI, but this would not address the financial needs of the long-term unemployed and it would overburden an already administratively stretched program. Another alternative may be to create a "rule of 100", whereby workers qualify for full benefits when the sum of their age and their years of earnings in Social Security equals 100. In theory, a worker retiring at age 62 with 38 years of credits would then receive full benefits. However, many older workers struggling in the labor market today may not benefit from such a change because they have interrupted earnings histories due to a higher likelihood of unemployment spells during their careers. Similarly, poor health over the lifespan interferes with participation in the labor market. In the same vein, caregiving responsibilities can interrupt people's careers, which is especially true for women. A third alternative, the creation of a new minimum benefit, would only help those workers who have had very low earnings but not those with somewhat higher earnings during their careers. And yet another proposal, an extra increase in the cost of living adjustment for workers who can no longer work, would mean that these workers would have to wait longer to see meaningfully higher benefits than under our proposal (SSA, 2003). Still other proposals envision an extra benefit at age 85 to help ease some of the hardships at older ages (SSA, 2019e). This is a very useful complement to our proposal, but it would require workers who can no longer work to wait for decades to see an improvement in their incomes. And many workers, especially those in poor health, may not survive to age 85.

How does this proposed policy change relate to current Social Security benefits, in particular retirement/old age and disability insurance?

Our proposed bridge benefit builds on Social Security's retirement benefit formula. Workers need to be at least 62 years old to qualify. They still need to have sufficient earned credits to qualify for retirement benefits. Our proposed benefit reduces and eventually eliminates the current early retirement benefit reductions for qualifying workers. The new benefit will thus become part of the OASI program, fully

[9] SSDI's eligibility criteria are among the strictest in industrialized economies. Only workers with the most significant disabilities and severe illnesses qualify. SSA approves fewer than 40% of applicants (OECD, 2010).

financed by general revenue transfers. Because the benefit is fully financed, it has no adverse effect on existing revenue sharing arrangements between the OASI and DI programs.

Explain how your policy could be put into action by federal policymakers over a reasonable timeline (and what that timeline is), as part of a package of future changes to Social Security and/or other policies related to retirement security.

Our proposed new benefit could be established immediately once Social Security reform legislation passes. We propose easy to administer qualifications for workers 62 years old and older. They would qualify for the new benefit prospectively, not retroactively. The costs of this new benefit would thus gradually phase in, as shown in the cost estimates (Figure 1).

Our proposal is complementary to other Social Security reforms that would raise benefits for struggling older workers. For instance, proposals to introduce a new minimum benefit (SSA, 2019c) would be good for very low-income workers who do not qualify for the new bridge benefit. Another possible reform could add a caregiver credit to address income insecurity faced by older workers caring for family or others (Weller & Hamilton, 2018). Caregiving risk hurts workers' ability to save and thus their retirement income security (Weller & Tolson, 2018).

INNOVATION: In what ways is your proposal innovative in approach? (How does it build on existing policy in ways that have not been explored before and/or that come at policy change from a new angle or perspective?)

Our proposal includes a number of innovative features, as described earlier. It improves retirement income security in a targeted manner. Qualifying older workers who can no longer work because they cannot find a job or because they are in poor health (or both) will see a bump in their incomes. Our proposal thus addresses the common risks for older workers with one new benefit rather than separate benefits for job insecurity and health issues. Moreover, our proposed benefit includes meaningful increases in incomes for struggling workers. This reduces the chance that qualifying workers will live in poverty or face material hardships in retirement. Further, our proposed benefit is progressive, giving lower-lifetime earners relatively larger benefits. Our proposed benefit thus particularly helps women and people of color, who tend to have lower lifetime earnings and who often face greater hurdles to working into older ages. Next, our proposed benefit is fully financed. We propose to pay for the new benefit by ending the existing system of inefficient savings incentives and transferring part of the savings to Social Security from general revenue. We also propose to create a refundable savings credit that offers much larger incentives to lower-income workers than the current tax treatment. Such savings matches are proven to increase savings for lower-income earners. Many older workers at risk of not being able to work longer would then benefit from our proposal twice, due to higher Social Security benefits *and* more savings and higher retirement incomes. Finally, our proposal is feasible. It builds on Social Security's existing retirement benefits, does not adversely affect the DI program, and could be administered in a relatively straightforward way.

How does your proposal take advantage of changes in the economic, political, or other contexts over recent years?

Social Security is a key benefit for low-income and middle-income workers who have faced economic struggles over the past three decades. Incomes at the bottom and in the middle have grown only very slowly (Piketty et al., 2016). And incomes have become less stable (Dynan et al., 2013). Our progressive bridge benefit directly addresses the struggles of older workers who have worked for long periods with little income growth and persistent income volatility.

At the same time, Social Security benefits' value is slowly eroding. For one, the normal retirement age is going up. And, Congress has not updated Social Security benefits in decades to account for key economic and demographic changes such as slow wage growth and increasing caregiving demands (Weller & Hamilton, 2018). So far, Social Security does not counter the economic challenges many workers face that our proposed benefit addresses.

At the same time, Social Security is also facing longer-term financial challenges (SSA, 2019b). Social Security reform thus needs to address both benefits and revenues. Our proposal improves benefits for struggling workers and shows a way to pay for the new benefits.

Congress, though, cannot tackle Social Security reform in isolation if the goal is meaningful retirement income security. It will also require changes to private retirement savings (Madland et al., 2016). Social Security offers universal but basic benefits. Workers need additional savings. Yet many workers do not have enough savings for a secure retirement (Munnell et al., 2018). Their employers may not offer retirement benefits, they may not participate in such benefits, they may save too little in their retirement accounts, and they face myriad financial risks with their savings (Weller, 2016). Achieving real retirement income security will then require Congress to also address these known pitfalls of personal retirement savings accounts.

These realities have given rise to several proposals over the past decade that could improve retirement income security. Importantly, there is a growing acceptance of the need to expand Social Security benefits. Most recently, Rep. Larson (D-CT) introduced a Social Security reform bill with more than 200 co-sponsors in the U.S. House of Representative (Marans, 2019).

Second, several states such as California and Oregon have started to offer state-sponsored retirement savings plans for those whose employers don't offer retirement benefits (CalSavers, 2019; ORSB, 2019). Policymakers across the political spectrum have realized that many workers do not have enough saved for retirement.

Third, there is a desire to make the tax code more efficient. Many members of Congress have recognized that the existing savings incentives in the form of deductions and exclusions are highly inefficient. Most recently, the Tax Cuts and Jobs Act of 2017 included some provisions to streamline the tax code such as expanding standard deductions for individuals while limiting itemized deductions. Prior to passage of the TCJA, lawmakers considered severely curtailing the maximum amount that taxpayers could contribute to their retirement savings in a tax-advantaged way, although that provision did not make it into the law's final version (Birdthistle & Hemel, 2017). There is bipartisan recognition that the existing savings incentives don't work.

Fourth, there have been efforts to help lower-income workers save more for their retirement for two decades. Most notably, lower-income households can qualify for the so-called Saver's Credit. The

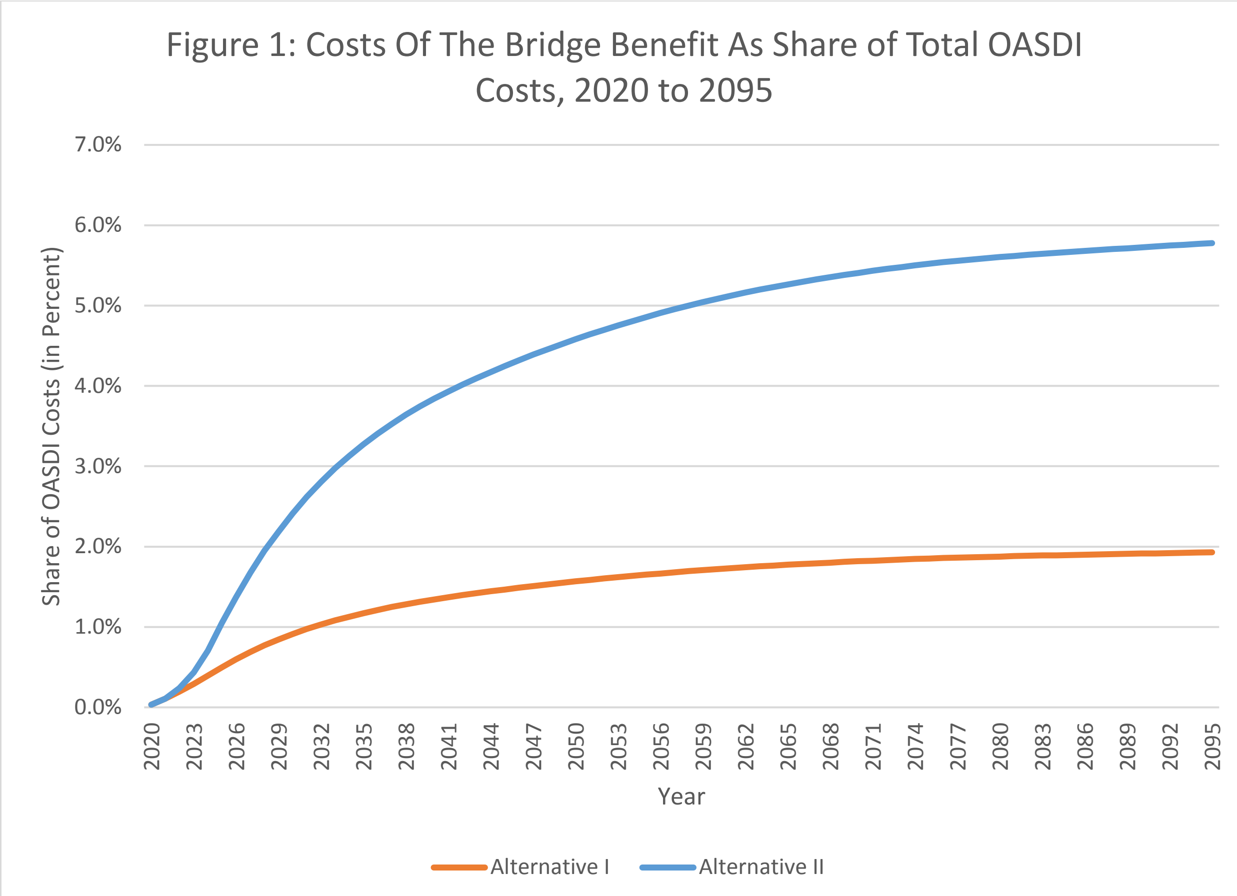
Saver's Credit is not refundable, excluding many of the lowest income households, often difficult to receive for workers who qualify for it and cuts off many workers, who could benefit from the extra help (Brown and John, 2017). Experts have proposed to make it refundable and easier to collect (Brown and John, 2017; Gale et al., 2005; Gale et al., 2012).

Table 1 and Figure 1

Table 1: Share of Early Retirement Benefits and Bridge Benefits to Full Retirement Benefits At Ages and Retirement Age

Retirement Age	62	63	64	65	66	67
Current Early Retirement Benefits As Share of Full Retirement Benefits						
Age						
62	70.0%					
63	70.0%	75.0%				
64	70.0%	75.0%	80.0%			
65	70.0%	75.0%	80.0%	86.7%		
66	70.0%	75.0%	80.0%	86.7%	93.3%	
67	70.0%	75.0%	80.0%	86.7%	93.3%	100.0%
Proposed Glide Path Benefits As Share of Full Retirement Benefits						
62	85.0%					
63	87.5%	87.5%				
64	90.0%	90.0%	90.0%			
65	93.4%	93.4%	93.4%	93.4%		
66	96.6%	96.6%	96.6%	96.6%	96.6%	
67	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ratio of Proposed Glide Path Benefits to Current Early Retirement Benefits						
62	121.4%					
63	125.0%	116.7%				
64	128.6%	120.0%	112.5%			
65	133.4%	124.5%	116.7%	107.7%		
66	138.0%	128.8%	120.8%	111.4%	103.5%	
67	142.9%	133.3%	125.0%	115.3%	107.2%	100.0%

Notes: Calculations assume full retirement age of 67 years.



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