



Why Punish Senior Citizens Who Want to Keep Working?

by Stephen Moore

Summary

The Social Security “earnings test” punishes senior citizens who continue to work past age 65 by decreasing their benefits. At a time when experienced workers are desperately needed, Congress should scrap the earnings test and stop financially penalizing seniors who wish to work.

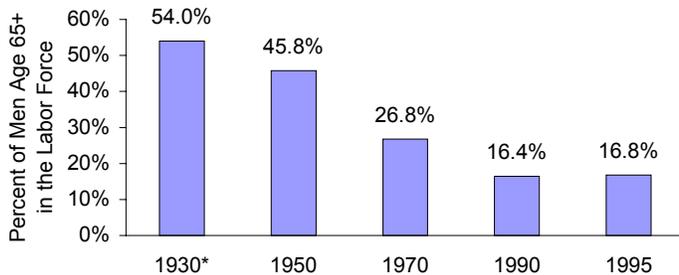
Main text word count: 631

My father, now in his mid-70s, happily continues to work past normal retirement age. He works not because he needs the money, but because work is virtuous and therapeutic. Work keeps one’s mind active, provides a sense of purpose, and sets a positive example for others. So why does Congress impose a financial penalty on people like my father who want to work in their golden years?

The culprit here is the infamous Social Security “earnings test,” which requires seniors who work past age 65 to forfeit \$1 of Social Security benefits for every \$3 earned from working, if they earn over \$15,000 per year. It effectively imposes a punitive tax on seniors, thus forcing them to reduce their hours worked or quit the labor force altogether. The earnings test is anti-work, anti-senior citizen, and unfair. It also is incredibly counterproductive economic policy and should be ended now.

How did it begin? The first earnings test was applied during the Great Depression, when unemployment reached 25 percent and Washington politicians wanted to discourage seniors from working past retirement age to free up jobs for young workers. To push seniors into retirement, the first income limit was set at a mere \$15 per year.

Social Security Discourages Many Senior Citizens from Working



*The Social Security Act was passed in 1935.

Source: U. S. Bureau of the Census

Today, we all know our work force is aging. We all know Americans are living longer and healthier lives than ever before. Life expectancy is now about 76, but in the next century some health experts think we could see average life spans of 100 years or more. And today’s economy is beset not with unemployment but with a shortage of talented workers. Therefore, government should be encouraging seniors who want to continue to work past 65 to do so.

Instead, Congress has done the opposite. After combining the earnings test with the taxation of Social Security benefits and adding federal income taxes, payroll taxes, and state income taxes, seniors easily can face tax rates of 65 percent or more. Not even Microsoft’s Bill Gates has tax rates that high.

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The brainpower, historical knowledge, and lifetime talents of American seniors are great resources that are being squandered by Social Security's earnings test. Congress is foolishly forcing businesses to post signs on their doors that say, "No seniors need apply."

In Michigan, slightly more than 1.2 million people—or about 12.4 percent of the state's population of nearly 10 million—are 65 or older. Many of these seniors want to work and are capable of work, but the system punishes them financially if they do.

And these tax penalties against seniors actually will work against the solvency of Social Security in the long run. The ratio of workers to retirees in America has dropped from 15-to-1 in 1950 to 3-to-1 today and is expected to fall to less than 2-to-1 by 2025. When baby boomers start retiring, we will not have the luxury of wasting the talents of Americans older than 65. The wagon will become too heavy for young workers to pull.

Repealing the earnings test will create more taxpayers and fewer tax consumers. The bean counters at the Congressional Budget Office say that this would cost \$8 billion over five years in higher Social Security benefits. But what they do not figure into their calculations is that without the earnings test, more retirees will work part- or full-time. When they work, they pay taxes, and so the government will likely generate more revenue by getting rid of this outdated law than by keeping it.

To penalize older Americans just because they want to work is bad policy and immoral to boot. Let us get rid of the earnings test and allow seniors to decide for themselves if they want to work, unencumbered by any short-sighted bias of Congress that they should sit quietly in their rocking chairs.

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