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SOCIAL SECURITY LIFELONG LEARNING BENEFITS

Executive Summary

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AARP Real Possibilities

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Social insurance has historically served to mitigate risks in the life of the worker. At the start of the Social Security system, our nation was worried about the risk of our workers dying in poverty, so we created retirement benefits. Then policy makers were concerned about the risks facing the spouses and children of our workers when they died, so they introduced spousal and survivor benefits. In later years Congress enhanced Social Security with cost-of-living adjustments and disability benefits to confront two additional risks: that inflation might reduce the spending power of a person's retirement income and that physical and mental difficulties might prevent a person from earning a decent living throughout his or her life.

Today's risks are different. Automation is reducing the need for certain types of workers, and entire industries have seen sharp dips in demand for workers for tasks that can now be accomplished by robots. A 2016 Pew Research Center survey found that while employment rose 68 percent between 1980 and 2015 in jobs requiring an average or above average level of preparation (i.e., education and job training), jobs dependent on physical skills increased only 18 percent in the same time window. The impact could be most significant for those in low-wage jobs; the US Council of Economic Advisers forecasts that 83 percent of jobs paying under $20 an hour could become automated in the coming decades.

Today's workers will also live longer and work later in life than prior generations; in the past 12 years, the number of Americans working beyond age 65 has more than doubled. Yet it is not realistic to expect that workers will continue to do the same job or even work in the same industry throughout a 40- to 50-year career—assuming that the industry the workers entered upon completion of their education even still exists. Today someone working at age 70 entered the workforce when the workplace resembled Mad Men; the changes in the interim, meanwhile—from who is in the workforce, to the types of jobs they are doing, to the employers themselves—have been significant. Only 12 percent of companies on the Fortune 500 list in 1955 remained there in 2014; the rest have gone bankrupt, merged, or fallen behind. So, while it is hard to fathom what the workplace will look like in the next several decades, it is safe to say that employees will increasingly need to learn new skills to adapt to rapid shifts in our economy based on technological advances and other structural shifts.

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Our proposal is aimed at mitigating these new risks facing today's workers by promoting lifelong learning and retraining. Social Security Lifelong Learning Benefits would allow workers who have paid into the system and earned credit for at least 10 years to obtain Social Security benefits while they go to school. These Lifelong Learning Benefits would be limited to a two-year period while workers pursue full-time educational courses to get additional tools they need to thrive in today's economy. The formula for these benefits would be calculated in the same manner as Social Security disability benefits, meaning that an average benefit would be a bit more than $14,000 per year. Similar to those receiving disability benefits, a person obtaining Lifelong Learning Benefits would be subject to an earnings test, meaning that person could not receive benefits if he or she earned more than the threshold monthly amount, which in 2017 is $1,170. Most people ages 30 and over who return to school today do not actually obtain an additional degree but spend roughly a year obtaining new skills or a certificate. This proposal would use existing infrastructure developed by the Department of Veterans Affairs in administering the post-9/11 GI Bill to ensure that students were obtaining a high-quality education from a reputable educational institution. Although this program would not provide tuition support, and many participants would likely have to take out student loans to return to school, the two-year cap and that the majority of those returning to school today are in their 30s should give participants ample time to both repay student loan debt and earn a higher income that would offset their brief time away from the workforce.

Our proposal features two financing options, one aimed at paying for itself and one aimed at minimizing added risks for workers. Under the first option (the Delay Option), workers who claimed preretirement education benefits would see their early eligibility age (EEA) and full retirement age (FRA) adjusted upward by the number of months they received the benefit. A worker born in 1960 or later who took the benefit for the full two years would thus have an EEA of 64 instead of 62 and an FRA of 69 instead of 67. This would have the effect of reducing future benefits by a roughly equivalent value to the amount taken preretirement. However, the additional education is likely to lead to higher earnings and high retirement benefits. Individuals who took the education benefit and later qualified for disability benefits would be held harmless so that the reduction in years of earnings would not count against their benefits.

Under the second option (the No Delay Option), workers who claimed preretirement education benefits would see no change in their retirement age or any other benefits.

Urban Institute analysts projected the impacts of both the Delay Option and the No Delay Option—for Lifelong Learning Benefits projected to start in 2019. Using data and earnings records for workers between 1968 and 2013, the researchers found that fewer than 1 percent of all people ages 30 to 64 returned to school each year during that period. To analyze these proposals, Urban projected this same low rate of workers returning to school, estimating no more than 750,000 annual participants during any of the years between 2019 and 2087.

Neither the Delay nor the No Delay Option would have a pronounced effect on the solvency of Social Security due to the small number of estimated participants. In fact, both proposals would very marginally improve solvency. The model also finds that both options would increase average income for participants over age 62, but those gains are not uniform and are larger for younger people, men, and those with higher education prior to using the credit. Our proposal has little effect on reducing poverty. This is not surprising, since 96 percent of people who return to school as adults have at least a high school diploma and more than three-quarters of people have at least some college education. Individuals with less than high school degrees, who are at particularly high risk of poverty, historically represent less than 1 percent of today's returning students. That being said, it is certainly possible we could see an increase in reeducation among all economic backgrounds in the workforce because of the added financial support available to those seeking additional skills.

Several other potential benefits of this program cannot be examined with this model. Workers with more education and training may be able to transition into less physically demanding jobs or jobs with more flexible hours, potentially allowing them to stay in the workforce into their 60s and 70s. Working longer affords these workers opportunities to put more money away for retirement, enhance their Social Security benefits by claiming later, and potentially leave their savings relatively untouched. Both options would increase retirement saving compared with current law, but the aggregate differences are small. Median retirement account assets among all individuals ages 62 and older in 2065 would increase 3 percent, and average retirement account balances would increase by 1 percent. Importantly, the model predicts roughly 2 percent of all Americans would delay claiming beyond age 62, a larger than expected impact given less than 1 percent of the working population is forecasted to take advantage of these new benefits.

The Social Security program has shown throughout its history that it is capable of adapting and changing with the times to address new risks.

This proposal addresses the changing job market and economy as well as increasing longevity in the workforce by building in the ability for workers to get income replacement as they gain new skills or education. While it slightly improves solvency even if workers' later benefits are not reduced, it does not make the Social Security system solvent beyond 2033, so it would need to be packaged with responsible reform efforts that shore up the long-term financing of the program. That said, the Social Security program has shown throughout its history that it is capable of adapting and changing with the times to address new risks. As we debate the future of the program, it is imperative that we also discuss these new risks—and how innovations such as Lifelong Learning Benefits can mitigate those risks and protect tomorrow's workers.

FIGURE 1. Projected Retirement Claiming Ages for People Born 1980 to 1989