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The New Politics of the Retirement Crisis

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As 18 million Baby Boomers brace for the financial insecurity of old age, Democrats are pushing to expand Social Security and other elderly benefits.

In 2014, 64-year-old Jim Whitlock was earning a good salary as an inspector at Boeing, where he planned to work for another six years. His wife, Cheri, who was 54, was investigating public records for a title insurance company. Then Jim's diabetes, sleep apnea, and chronic fatigue dramatically worsened. In May of that year, he was forced to retire early, and Cheri found herself serving as his primary caretaker in addition to working full-time. "The financial hit of it all was quite frankly pretty hard," Cheri told me. Some months, she had to choose between making her next car payment, purchasing groceries, or paying the electric bill.

Two years later, when Jim was diagnosed with early onset dementia, small luxuries the Whitlocks had long taken for granted—like going to a movie or buying yarn for knitting—began to feel out of reach. Caring for her husband taxed Cheri, too. Her doctor worried about her skyrocketing blood pressure and how little sleep she got every night.

Cheri assumed she would never be able to retire. "All of Jim's retirement funds were going to his care, we were looking at the potential of losing our house, and I was looking at a very destitute future for myself," she recalled.

As dire as their financial situation was, Cheri and her husband were still better off than many Americans. Jim had an employee pension from Boeing, and when he passed away last July, after a rapid decline, he had a life insurance policy that doled out just enough money to keep Cheri out of poverty—and will, one day, allow her to retire. Very few Americans can say as much. Today, almost half—45 percent—have $0 saved for retirement. Roughly the same number don't simply worry about being financially insecure when they retire; they actually expect it. Indeed, just within the last few decades, retirement and senior care have become some of the most intimidating and untenable costs people face in their lifetimes, a burden more crushing than paying for college or buying a house.

Our modern system for dealing with the elderly emerged during the New Deal, when very different social and economic conditions reigned. The average life expectancy was 61 years old, most women didn't work outside the home, and many workers had pension plans that provided them with a steady source of income in their old age. Private pensions were themselves a relatively new invention. In 1875, American Express offered the first such plan to employees who had been "injured or worn out" working its rail, barge, and horseback delivery lines. At the turn of the century, railroad barons implemented them, eager to remove aging workers from their ranks without political blowback. Many of those pension funds went bust during the Great

Depression. Observing the decimation of millions of dollars in life savings, the federal government recognized that it needed to step in, and created the Social Security Act of 1935.

Over the next 30 years, life expectancy rose, the economy boomed, and in 1965, with flush federal coffers, the government passed Medicare to aid the growing elderly population. Both Social Security and Medicare, however, were designed to be supplemented by other sources. Benefits were nothing if not modest—enough to keep people out of poverty but hardly enough to live on. Lawmakers had assumed that people would be able to draw on individual savings to augment their government subsidies. And for much of the twentieth century, they were right. Between World War II and the 1990s, most of the middle class earned enough from their jobs to enjoy a fairly comfortable retirement. But during that same period, an ideological shift was underway, as employers began scaling back the benefits workers relied upon to provide for themselves in their old age.

In 1982, when Social Security almost went bankrupt, some of the new think tanks that were establishing themselves in Washington at the time—like the Heritage Foundation and Cato Institute—pressed President Ronald Reagan to privatize the program. But when they realized doing so would be politically perilous, given Social Security's strong support among seniors, strategists decided to promote a different approach. Politicians would assure seniors their Social Security benefits would remain the same, tell young people they could expect no benefits to be left when they retired, and convince current workers that private investment was a safer, more lucrative option.

The retirement vehicles known as 401(k)s first appeared in 1978, and within five years, nearly half of all large firms were offering them. Advocates made rosy projections, promising things like 7 percent annual compounded returns. "There was a complete overreaction of excitement," Bank of America's head of retirement services recalled in a 2017 Wall Street Journal article. But when recessions hit in the 2000s, millions lost their savings. Today, these early enthusiasts admit their analyses failed to account for a trifecta of factors: the large swings in the stock market, the ordinary investing mistakes people routinely make, and the huge fees charged by money managers. (For the typical worker, fees can easily eat up 20 percent of a retirement fund over time.)

A century after railroad companies introduced some of the nation's first pension programs, employers have all but relinquished their sense of obligation to care for their workers in their old age. Today, pensions are nearly gone, and most small businesses don't even offer 401(k)s. In 2013, just 28 percent of large companies in the United States provided retiree health coverage, down from 66 percent in 1988.

It's no surprise, then, that 46 percent of Americans expect to be financially insecure when they retire, anticipating their government and employers will do next to nothing to help them. But these grim fears also open up a political opportunity. In the last election cycle, Democrats campaigned heavily on health care (by mid-October, 55 percent of their television ads centered on the issue). It's this focus, many suspect, that helped them improve their margins among elderly voters, with seniors casting their ballots almost evenly between the two parties—a marked shift from years past.

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There are signs that retirement will play a significant role in the 2020 race. In February, Bernie Sanders reintroduced the Social Security Expansion Act, with sponsorships from three other leading Democratic presidential contenders: Cory Booker, Kirsten Gillibrand, and Kamala Harris. They belong to a congressional caucus dedicated to increasing Social Security benefits. Formed last fall, it already has more than 150 Democratic members, and Sanders and Elizabeth Warren, another presidential candidate, are its co-chairs in the Senate.

The party has come a long way from its stance a decade earlier, when few liberal politicians would endorse the expansion of Social Security. In the early 2000s, the boldest promise most Democrats would make was to "preserve" benefits or "fight cuts." Their rhetoric only began to change after 2010, when advocacy groups like Social Security Works were launched to help transform the conversation.

Congress has signaled a willingness to consider policy proposals beyond Social Security, too. Representative Pramila Jayapal's new Medicare-for-All bill includes coverage of long-term care, and just last year, with Republicans controlling both chambers, Congress expanded Medicare coverage to seniors with multiple chronic illnesses. The success of that bill suggests real bipartisan support exists for strengthening the national insurance program.

Encouragingly, the states have also begun to propose solutions. In 2017, Hawaii launched a program to reduce the cost of senior care, dispensing $70 a day for up to 365 days to family caregivers. In 2018, Maine voters considered a ballot measure that would have established the nation's first universal home care program. The proposal suggested taxing Maine's highest earners to pay for caregiving for any adult aged 65 and older who wanted it. It didn't pass (powerful groups like the Maine Hospital Association and the Maine State Chamber of Commerce torpedoed the effort), but similar ideas will likely surface elsewhere. This year, legislators in Washington state are voting on a bill to provide residents with up to $36,500 for costs like nursing home fees, in-home care, and wheelchair ramps—assistance of a kind that Cheri Whitlock and her family would no doubt have eagerly welcomed.

Politicians who address retirement understand they can reach not only the elderly, but those who care for them. More than 40 million people provide unpaid caregiving, spending on average 20 percent of their incomes each year on expenses like mortgage payments and medical bills. The home health and personal care sector, meanwhile, employs some three million people nationwide and is one of the fastest growing in the economy. Most aides are women, who earn very little and work unpredictable hours. For them, and for families who rely on their services, a plan for universal long-term care would surely represent a welcome change. Few issues in American politics cut across so many constituencies, and affect the lives of so many.