FACT SHEET

Health Retirement Security

Social Security Privatization

Social Security is the nation's single most important family income protection program. Nearly two-thirds (65 percent) of America's seniors rely on Social Security for half or more of their incomes, and more than three in ten (33 percent) rely on it for nearly all of their incomes. In addition to the retirement program, which provides 32.5 million retired workers and their spouses with benefits guaranteed for life and is adjusted annually for inflation, Social Security provides guaranteed benefits to more than 6.1 million disabled workers and 4.8 million children. President George W. Bush's plan to privatize Social Security will force drastic cuts in retirement benefits for American workers—whether or not they choose to take part in the scheme.

Pensions

Defined-benefit plans remain the soundest vehicles for building and safeguarding retirement income, as they are federally insured and provide a guaranteed monthly lifetime benefit. Employers, however, have been shifting away from these plans to riskier defined-contribution plans, such as 401(k) plans, where retirement benefits depend on workers' own contributions and investment gains or losses. Enron's collapse brutally illustrated the inherent risks in defined-contribution plans. When the value of Enron stock plummeted, so did its workers' retirement savings. Today, only 21 percent of American workers in the private sector have a defined-benefit plan, compared with 37 percent of workers in 1979.

Health Care

Rising health care costs threaten coverage. Employer-sponsored insurance premiums increased more than 11 percent in 2003, the fourth consecutive year of double-digit premium increases, according to the Kaiser Family Foundation. These increases threaten coverage for those who now have it and seriously undermine efforts to extend coverage to the (45 million) uninsured.

In response to rising costs, employers are increasing workers' premiums, deductibles and co-payments, making health care costs the most difficult issue in negotiations. In recent contract negotiations, workers have forgone higher wage increases to stave off greater increases in their health care costs. Shifting health costs to workers will increase the ranks of the uninsured. But simply having employers absorb these costs would put U.S. manufacturers at an impossible competitive disadvantage with overseas producers. Some Big Three automakers are paying about $1,400 per car produced toward health care costs.

Retiree coverage is declining dramatically—a trend made worse by skyrocketing health care costs. The share of large employers (with 200 or more employees) offering retiree coverage has dropped substantially over the past decade. According to Kaiser, 66 percent of all large firms offered retiree coverage in 1988, compared with just 34 percent in 2004. This trend will only get worse with rising health care costs, which are prompting employers to eliminate drug benefits, cap their contributions or drop retiree coverage altogether.

Health care costs are an even greater threat to older manufacturing companies that have large numbers of retirees and older active workers. These companies are facing competition from newer manufacturing companies in this country that have few retirees and younger active workers and thus much lower health care costs. They also are facing competition from companies in foreign countries where national health care plans spread health care costs across the entire society. As a result of this unfair competition, retirees and workers at older manufacturing companies have suffered cutbacks or termination of their health care benefits. And these older manufacturing companies have lost jobs or even been forced to file for bankruptcy, where employers often shed retiree health benefits to trim costs.

TALKING POINTS

Pensions

- The Bush administration's recent proposal to change the funding rules and federal insurance program for single-employer defined-benefit pension plans will do more harm than good to the defined-benefit pension system, weakening retirement security for American workers and retirees.
- The Bush proposal will make defined-benefit plan funding unpredictable and unfairly increase the liabilities for companies with relatively older workers and more retirees, including many manufacturing companies.
- The Bush proposal also would hurt companies when they are experiencing financial difficulties by tying funding requirements and premiums to company credit ratings.
- The Bush proposal also penalizes workers by cutting federal pension guarantees, outlawing benefits that protect workers if a plant shuts down and cutting the benefits workers earn at companies with financial difficulties. And where workers have formed a union to bargain with their employers, the proposal would interfere with existing collective bargaining agreements.

Social Security

- Privatizing Social Security will slash guaranteed benefits. Young workers will face a 40 percent cut in their Social Security benefits, even if they choose not to have a private account.
- Privatizing Social Security will not allow you to control the money in your private accounts. Politicians will pick Wall Street firms to control your investment accounts.
- Privatizing Social security will further threaten the program's solvency. Simply diverting Social Security payroll taxes into private accounts would seriously weaken the system's finances. Even President Bush has admitted his plan does nothing to improve Social Security's solvency.
- Privatizing Social Security will saddle our children with $4.9 trillion in debt over the first 20 years alone, most of which we would owe to foreign countries.

Health Care

- Double-digit increases in health care premiums are threatening coverage for active workers and retirees.
- Rapidly rising health care costs are unsustainable, and merely shifting more costs to workers will not solve the problem. In fact, such cost shifting is likely to add even more workers to the ranks of the uninsured.
- The crisis in retiree coverage is an even more acute problem for employers in the manufacturing sector, where the number of retirees is growing and the number of active workers is shrinking
- Employers need immediate relief from retiree health legacy costs so retirees are not stranded without coverage and older U.S. manufacturers are not placed at a competitive disadvantage.

ACTION STEPS

Tell your members of Congress:

- ☐ Congress should reject the president's proposal for Social Security privatization.
- ☐ Every member of Congress should sign the AFL-CIO pledge to strengthen Social Security.
- ☐ Congress should improve the pension funding rules for single-employer defined-benefit plans in ways that improve pension funding levels and create and maintain an environment supportive of defined-benefit plans.
- ☐ Congress should reject the Bush administration's dangerous and counterproductive funding rules that will drive employers away from defined-benefit pension plans.
- ☐ Congress should reject cuts in federal pension guarantees, restrictions on benefits and a ban on plant shutdown benefits that will penalize workers and retirees.
- ☐ Congress should support legislation to address the retiree health legacy cost issue that will protect the benefits of retirees at older manufacturing and mining companies and relieve the unfair competition now faced by these companies. Currently, older manufacturing companies are at a tremendous disadvantage compared with new domestic competitors and foreign manufacturers that do not have these same retiree health legacy costs.