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PRESIDENT'S SOCIAL SECURITY BENEFIT CUTS WOULD HURT MIDDLE-INCOME WORKERS THE MOST

Washington, D.C. – If President Bush's proposal for price indexing Social Security benefits had gone into effect in 1979 instead of the current method, middle-class workers retiring this year would receive a benefit 9 percent smaller than they would get under current law, according to a new report by the **Joint Economic Committee Democrats**. Benefit cuts would grow larger over time, and Social Security would replace an ever smaller share of workers' pre-retirement earnings. Indexing would hit middle-income workers much harder than upper-income workers, because middle-income workers rely on Social Security for a much larger fraction of their retirement income than do upper-income workers.

"Under the President's proposal, Social Security benefit cuts get progressively worse for middle-income workers," said **Sen. Jack Reed** (D-RI), Ranking Democrat on the **Joint Economic Committee (JEC)**. "If price indexing had been instituted when the benefit formula was last changed, today's middle-income retirees would have $1,400 less income this year. Today's middle-class young person would be looking at annual benefits that would be about $5,100 lower. This is probably not the kind of progressivity that most Americans have in mind."

The JEC Democrats' report, *What if President Bush's Plan for Cuts in Social Security Benefits Were Already in Place?*, finds that implementing the President's price indexing plan in 1979 would have resulted in the following:

- **Steep benefit cuts for middle-class workers retiring this year.** The benefit of middle earners retiring at age 65 today would be $1,400 (9 percent) lower than they are under current law. These benefit cuts would grow over time. For today's 25-year-olds, the benefits for an average earner would be 26 percent lower or $5,100 less annually.
- **Social Security benefits would replace a smaller share of pre-retirement earnings over time.** The replacement rate for today's middle earner aged 65 is 46 percent under current law. If the President's plan were already in effect, when today's 25-year-olds retire, the replacement rate of a middle earner would be less than one-third of pre-retirement earnings.
- **Middle-income workers would be hurt more than upper-income workers.** While the highest earners retiring in 2045 would experience a larger benefit cut than middle earners (46 percent compared with 26 percent), their total retirement income would fall by less (10 percent compared with 17 percent).

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

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