

## National Nurses United Co-President Karen Higgins Testimony Before the Deficit Commission AFL-CIO President Richard Trumka Tells Deficit Commission Job Growth Best Answer to Debt

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National Nurses United  
Testimony given by Karen Higgins before the Deficit Commission  
June 30, 2010

Thank you very much for extending the invitation to National Nurses United to discuss the incredibly important fiscal matters facing this Commission and facing Americans. We are pleased that you are taking the time to listen to the viewpoints of working Americans.

The National Nurses United is the nation's largest nursing union in U.S. history. With 155,000 members and counting, we are deeply concerned about any national policy that affects our members and the patients we serve. That is why almost everything that is "on the table" before this Deficit Commission is of great concern to us. However, we wish to focus our remarks on something we think should without question be "off the table." That is, the promises that were made to working Americans through the Social Security and Medicare programs. Medicare is a life-saving program and as the nation's only single-payer program, saves money by eliminating wasteful insurance industry profits from the health care equation. For those reasons, we believe expanding Medicare to everyone would have a positive impact on the economy in the long term.

However, since we understand that the most likely target for cuts by this Commission is Social Security, we intend to go into depth as to why we cannot accept any cuts to the program, and why we will actively campaign against such reductions.

In 1935, Social Security was enacted in the midst of the Great Depression to alleviate poverty among the elderly, widows, orphans, and people with disabilities. It is interesting to note that even among proponents in 1935, there were concerns about financing becoming unsustainable by the year 1960. (Congressional Record, Senate, May 27, 1935) Indeed, the New York Times wrote on June 17, 1935 "As it stands, (the Social Security Act) imposes a gradually rising tax on both employers and employees, which at the end of 10 years, it has been estimated, will amount to about \$1,700,000,000 a year. This in itself would mean an added tax burden equal to nearly half of the existing total Federal tax burden." The entirety of the article expresses concern that in out-years, the cost of Social Security would soon become unsustainable. It is distressing that every few decades, this same argument is raised about the long-term sustainability of the program, despite all evidence to the contrary.

As years passed, Social Security has proven itself to be the most successful social program in our nation's history, without which the poverty rate for seniors would jump from 10% to 48%.

Social Security is currently running a \$2.2 trillion surplus. Social Security was a means of economic stimulus which helped to get the United States out of the Great Depression – after all, people in desperate poverty do not contribute to a thriving economy, but people on Social Security spend the money that they receive, which stimulates the economy. Therefore, we are extremely disturbed to hear that cuts to Social Security are very much on the table for reduction by this Commission.

Is Social Security really broke? By most people's reckoning, having \$2.2 trillion in the bank hardly qualifies. Worse, people are pointing to a possible exhaustion of the trust fund at some distant future date as it being "broke." As all of you know, prior to 1983, Social Security never had a trust fund. The Greenspan Commission established it as a way of pre-funding the impending retirement of the baby boom generation. Yet, within a year of the trust fund being established, critics began pointing to the exhaustion date of the trust fund as evidence the system is in crisis. In 1983, Social Security was actually within six months of being unable to pay all promised benefits on a pay-as-you-go basis. However, a solvency commission came up with some amendments to the system and not only restored solvency but began building a trust fund.

Currently, Social Security is often used to offset the deficit. The money the general fund is borrowing from the trust fund belongs to our members, it belongs to the American people. It is a solemn and sacred promise to workers. We will not tolerate statements calling United States Treasury Bonds issued to American citizens as “worthless I.O.U.s” when the same Treasury bonds are held by China and Japan, and are an obligation we wouldn’t dare default on. Why are they worthless if they belong to working families? Such a characterization is a betrayal.

What happens if the trust fund runs out in 2038? The worst case scenario is that we’d return to the pay-as-you-go model and if no other changes were made along the way, Social Security would be able to pay ¾ of current benefits indefinitely. But that includes a lot of assumptions. First, that the nation’s growth rate after 2018 will be an anemic 1.7% even though over the last 75 years, growth was over 3%. Projecting growth rate that far into the future is very difficult. As is predicting birth/death rates, immigration trends, longevity, health care costs, innovation, etcetera. It is ridiculous to pre-emptively accept cuts now in the chance that all of these assumptions are correct and we face a shortfall in over 25 years.

Critics of the entire Social Security program often say things such as, “I could get a better return on my investment privately.” This reflects a very poor understanding of both historical market trends, and the nature of the program. First, Social Security is not a retirement program. It is an insurance program. It insures against poverty in old age, and against loss of income due to disability, or the death of a spouse or parent. Proponents of Social Security often say that the disability insurance aspect alone is worth a \$200,000 insurance policy. That is technically incorrect. After much research and discussion with insurance industry experts and a former Associate Commissioner of Social Security, we learned that in fact, the kind of insurance Social Security provides by way of disability is not available on the private market. No products currently will pay your dependents a separate benefit, few products are available for middle class workers, and the products that do exist actually are designed to “wrap around” Social Security to provide a minimum level of income. Therefore, cuts to Social Security would be a big problem for insurance companies that currently provide disability policies – their reserves wouldn’t be sufficient to pay promised benefits which in some states is illegal. They’d be scrambling to maintain promised benefits immediately. This isn’t insignificant – three in ten currently healthy 20-year-olds will at some point in their lives receive a Social Security disability benefit.

So, why would anyone be talking about cutting a program that isn’t contributing to the deficit? As a trade to roll back some tax cuts? This is a core program that along with other major New Deal programs created the middle class, and a safety net as an exchange for working hard and playing by the rules over the course of one’s career. This is not a fair exchange, by any stretch of the imagination.

Members of the Commission, nurses can’t afford a cut. We are, for the most part, middle-income. We fought hard for middle class, family sustaining incomes. We fight every year at the bargaining table to protect defined benefit pensions. But we keep getting demands to gut our pension benefits. So-called “progressive price indexing” would gut our remaining retirement security. The middle class is hurting enough, we just cannot take any more uncertainty, or any more cuts.

Nurses in America can’t work longer, either. Raising the retirement age will amount to an across-the-board benefit cut for nurses. Currently, half of bedside nurses are in daily pain from lifting patients, who keep getting bigger every year. We lift, on average, 1.8 tons every day. It is ludicrous to expect a 70-year-old woman to lift 1.8 tons. Nursing consistently ranks among the most dangerous jobs in America, according to the Bureau of Labor Statistics. Arguably, nursing is even more dangerous than those statistics would have you believe given under-reporting of musculoskeletal injuries (the most common in nursing) on OSHA logs.

We believe that Social Security belongs in the “assets” column on this grand spreadsheet, not in the “deficits” column. First, since Social Security is currently in the black and the trust fund is not “in a lock box”, it is used to hide massive deficits. In addition, even without a trust fund, if Social Security were “pay as you go” as it was before 1983, it always has been stimulative to the economy. That’s because Social Security recipients

are consumers – more so than the average person. For almost one in five of recipients, Social Security is their sole source of income.

For a third of Social Security recipients, Social Security accounts for 90% of their retirement income. More than half of those on Social Security rely on Social Security for more than half of their income. These are people who are spending their entire checks every month, and that money churns in the local economy. Given that half comes from worker payroll and half comes from employers that means a fair amount of that money could reasonably be assumed to be spent on corporate overseas investments, CEO salaries, and other things that generally don't tend to stimulate local economies in the United States.

Meanwhile, one has to consider the current economic environment. As we go forward, Social Security will likely mean more to American families than ever before. Today defined-benefit pension plans cover only 20 percent of workers, and that figure continues to fall. Workers' retirement savings in defined-contribution plans have been devastated by greatly diminished asset values—workers lost \$2 trillion in 401(k) accounts and individual retirement accounts (IRAs) in just one year (October 2007 to October 2008)—and by the need of the unemployed to cash out their plans to weather the recession. The median household balance in retirement accounts is not enough to replace even 10 percent of pre-retirement income, and up to 25 percent of worker accounts can be eroded by fees and expenses.

The one source of retirement income that has remained financially stable over recent years has been Social Security, in large part because Social Security has been walled off from Wall Street. Social Security is backed by the full faith and credit of the U.S. government and provides a safeguard for people against outliving their savings. Social Security's administrative costs are low and its administrators are publicly accountable. It is the only retirement benefit that is 100 percent portable—following workers from job to job with no waiting for enrollment—and it features an immediate employer match.

Finally, an analysis of the subject is incomplete without some consideration of gender and race. Nursing is still a female dominated occupation and it bears mentioning that women still earn 77 cents for every dollar a man earns, African American women earn 61 cents, while Latinas earn a mere 52 cents for every dollar earned by a white male. Yet, women live longer, are more likely to take time out of the workplace, and are more conservative investors than men, so they rely more heavily on Social Security's progressive, inflation protected, stable value benefit. In addition, throughout the country, nurses are faced with contract negotiations in which our employers want to cut our defined benefit pensions by at least a third. Social Security is the only guaranteed annuitized benefit many working women have access to.

Meanwhile, African Americans benefit from Social Security's disability and survivors benefits, since they are more likely than other workers to become disabled or die before retiring. African Americans constitute 11.5 percent of all workers who are covered by Social Security but 17.6 percent of Social Security disability beneficiaries. And as Latinos earn on average less over their lifetimes, they benefit the most from Social Security's progressive financing. Without Social Security, half of Latino seniors would live in poverty.

Social Security does need to be strengthened for future generations. The United States has one of the lowest income replacement rates among OECD nations. With the decline of defined-benefit pensions, the sudden loss of retirement savings for millions and the dramatic increase in economic uncertainty, strengthening Social Security's core guarantee of retiring with dignity is now more important than ever. Increasing benefit levels as part of strengthening Social Security is an effective way of addressing America's retirement security crisis.

National Nurses United, as part of the 13 million member AFL-CIO, is going to Congress with this message, and we intend to collect promises from Members prior to the November elections that the Government will keep its promise to us. Members of this Commission must keep cuts to Social Security and Medicare off the table.

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## Trumka Tells Deficit Commission Job Growth Best Answer to Debt

Posted By [Mike Hall](#) On June 30, 2010 @ 4:26 pm

<http://blog.aflcio.org/2010/06/30/trumka-tells-deficit-commission-job-growth-best-answer-to-debt/>

Social Security is not the cause of the nation's budget deficit, and stronger economic and job growth spurred by stimulus spending now is the best path to reducing and stabilizing the national debt, AFL-CIO President Richard Trumka told the [federal budget deficit commission](#) <sup>[1]</sup> today.

We must have a job-centered approach to stabilizing the national debt, which would bring us closer to our goal of sustainable, broadly shared prosperity. To a great extent, the size of the deficit depends on employment and growth. When employment and growth are weak, tax revenues are low and social assistance expenditures are high. When employment and growth are strong, the reverse is true.

He also warned the panel that ending stimulus spending that creates jobs and growth—as many Republican lawmakers are promoting—could send the U.S. and global economy into a double-dip recession, or worse. The Economic Recovery Act, said Trumka, did exactly what it was supposed to do. It increased the number of people employed by up to 2.8 million, increased the number of full-time jobs by up to 4.1 million and increased real GDP by up to 4.2 percent in the first quarter of 2010. But it wasn't big enough. Without a significant reduction in the trade deficit, only economic stimulus in the form of deficit spending can make up for the remaining shortfall of aggregate demand until private sector demand regains its footing.

Trumka said, "We believe it is only fitting to ask Wall Street to pay to rebuild the economy it helped destroy. For example with a financial speculation tax that would raise \$100 billion to \$300 billion per year and help curb harmful speculation. Wall Street should pay to build a 21st century infrastructure that will lead to long-term economic growth....Failure to invest in rebuilding our infrastructure for the 21st century will result in lower rates of economic growth—and therefore lower tax revenues."

He also said the commission should look to history for answers to reviving the economy. The example of the postwar boom—when an economic strategy of broadly shared prosperity with strong unions and shrinking inequality paid off enormous dividends—shows us the way forward.

Click [here](#) <sup>[2]</sup> to read Trumka's entire testimony.

Many observers believe the Republican members and those with close corporate ties on the bipartisan commission created by President Obama in February are using the panel as smoke screen to [cut Social Security](#) <sup>[1]</sup> or even privatize it.

Just this week, House Minority Leader John Boehner (R-Ohio) called for raising the retirement age to 70 and cutting benefits. Shortly before appearing before the deficit panel, Edward F. Coyle, executive director of the [Alliance for Retired Americans](#) <sup>[3]</sup>, said "Raising the retirement age to 70 would be devastating to American workers, particularly those who work in physically demanding construction and service sector jobs. Americans in their late 50s and 60s are bearing the brunt of layoffs and benefit cuts from the recession. John Boehner wants to inflict further hardship among those who are already struggling to keep or find jobs."

Coyle told the commission, "Retirees are deeply disturbed by talk coming out of this Commission about cutting Social Security benefits and raising the retirement age. The Alliance for Retired Americans strongly rejects the gloom-and-doom, sky-is-falling predictions that Social Security is going bankrupt. Not only is this factually untrue, but it is a malicious scare tactic to divert attention away from the root causes of our deficit—unwise tax and spending decisions by Washington over the past decade."

He also pointed out that the government does not fund Social Security and the program currently has a \$2.6 trillion surplus: "Social Security is one of America's greatest success stories. It has kept generations of seniors out of poverty. It did not, I repeat, did not cause these deficits."

The 18-member commission will meet throughout the year and then present its recommendations to Obama after the fall elections.

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[2] here: [http://www.aflcio.org/issues/legislativealert/trumkatestimony\\_06302010.cfm](http://www.aflcio.org/issues/legislativealert/trumkatestimony_06302010.cfm)

[3] Alliance for Retired Americans: <http://www.retiredamericans.org/>