

**CHANGING SOCIAL
SECURITY IN THE US:
RISING INSECURITY?**

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POVERTY-BASED SSI

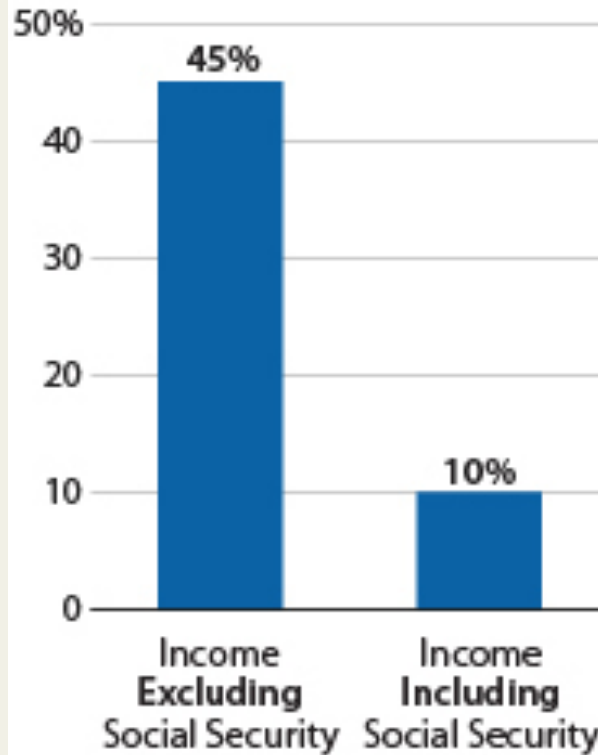
- Maximum benefit 77% / 87% Fed Poverty Line
- 1/3 poor, 1/2 eligible, elderly receive SSI
- Assets tests frozen since 1989
- Earnings tests frozen since 1981

EMPLOYER-BASED PRIVATE PENSIONS

- 18% of old age income
- Foregone taxes over \$100 Billion/year
- Defined Benefit/Defined Contribution
- Pension income uneven
 - Top third HH, PP= 31% unearned income
 - Bottom third HH, PP = 3% unearned income
- Women's average benefits
 - 77% men's defined benefit
 - 37% men's defined contribution

UNIVERSAL SOCIAL SECURITY

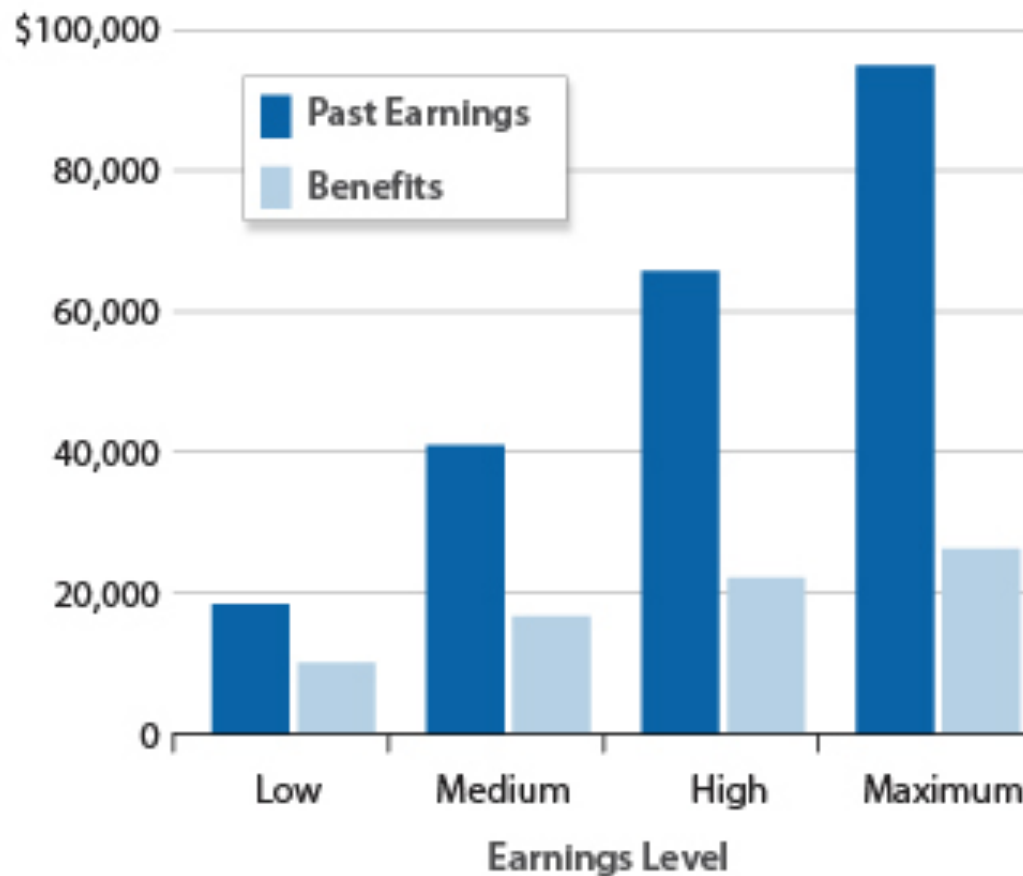
**Social Security Reduces
Number of Seniors in Poverty**
Percentage of Seniors in Poverty



Source: Center on Budget and Policy Priorities based on data for 2008 from the U.S. Census Bureau, Current Population Survey, March 2009.

SS Replacement Rates

How Annual Benefits Compare to Earnings For Retired Workers at Age 65 in 2010



Source: Social Security Administration, 2010 Trustees Report

Center on Budget and Policy Priorities | cbpp.org

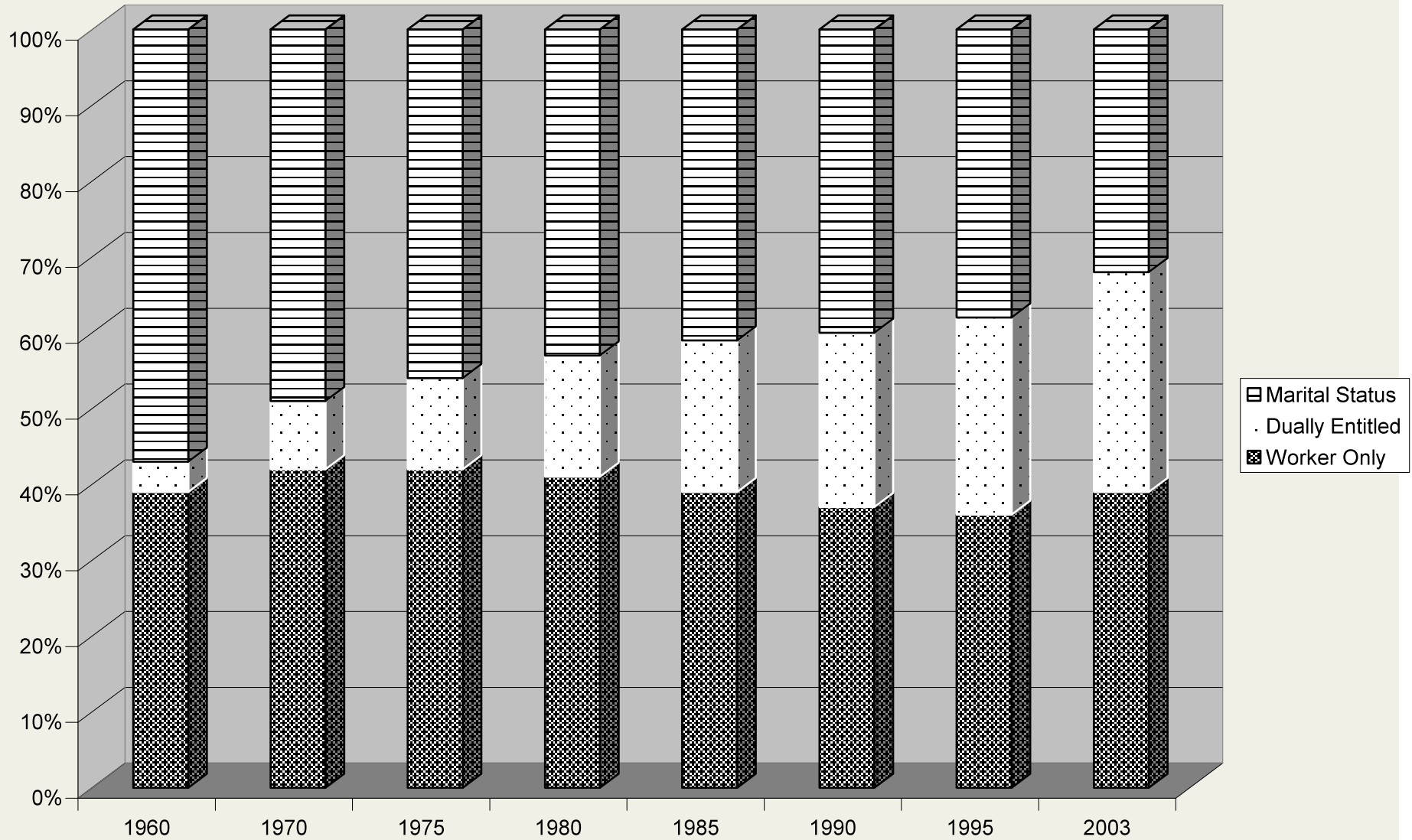
RETIRED WORKER BENEFITS

- Based on work history contributions
- Eligibility requires 10 years, 40 quarters
- Benefit size based on wages, continuity
- Average benefits compared to white men
 - black men = 83%
 - white women = 76%
 - black women = 69%

SPOUSE AND WIDOW BENEFITS

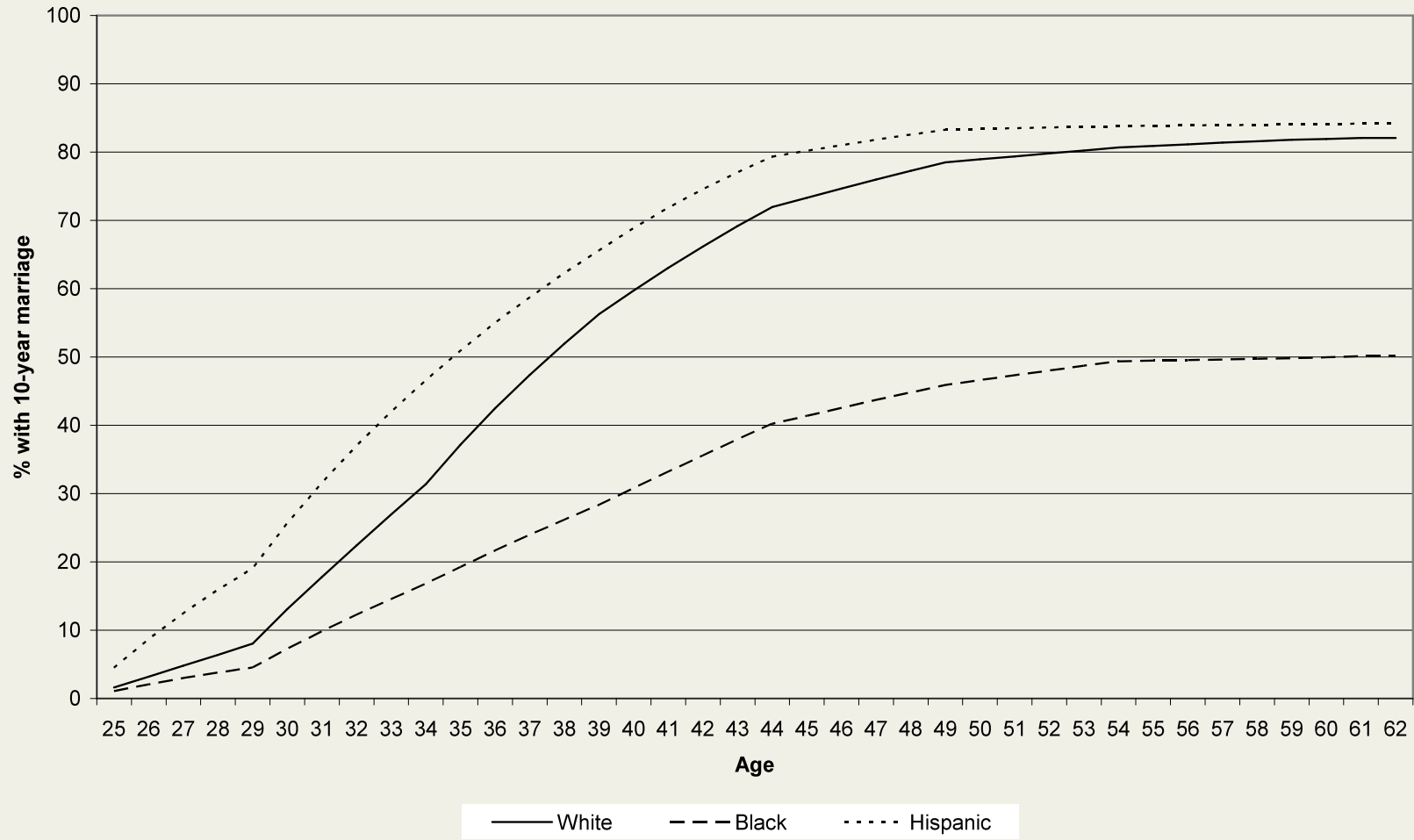
- Based on marital, rather than work, history
- Gender neutral but 97% are women
- Gay and co-habiting not recognized
- Spouse benefit = 50%, widow benefit = 100%
 - Black women's spouse benefits = 82% white's
 - Black women's widow benefits = 78% white's

Basis of Entitlement for Social Security among Women, 1960-2004



Source SSA 2004; Harrington Meyer and Herd 2007

Predicted Percentage of Women With Ten-Year Marriage, by Race/Ethnicity: 1965 Birth Cohort



Source: Harrington Meyer, Wolf, and Himes, 2006

SS FISCAL CONSIDERATIONS

- Funded through regressive payroll tax
- 6.2% employer, employee match, up to ceiling
- Pay-as-you go, \$2.6 trillion surplus
- By 2037 surplus gone, payroll tax covers 75%
- Easy fixes
- Borrowed surplus must be paid back with interest
- Phasing up age of full eligibility to 67 by 2027
 - Penalty for early claims now 30%
- Earnings test ages 62-65, 50% benefit reduction after \$14,000

PRIVATIZATION ?

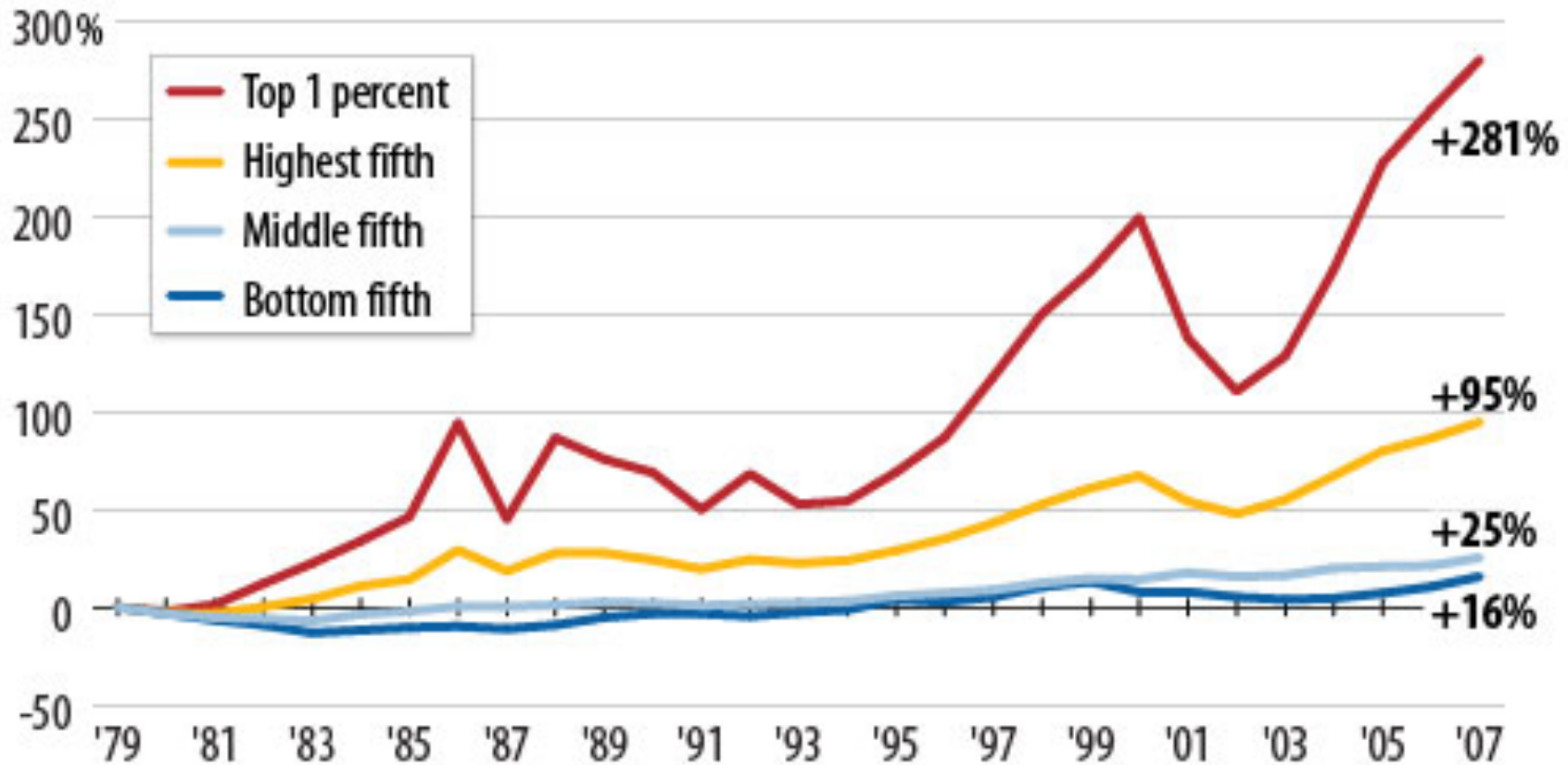
- Pres. Bush goal to privatize SS
- Funding both programs would make shortfall immediate
 - Administrative costs up from 1% to 5-30%
 - Spouse and widow benefits eliminated?
 - Redistributive benefit formula eliminated?
 - Actuarial advantage for women eliminated?

Bush Tax Cuts: Concentration of Income in the US

Figure 1:

Income Gains at the Top Dwarf Those of Low- and Middle-Income Households

Percent Change in After-Tax Income Since 1979



Source: CBPP calculations from Congressional Budget Office data.

cbpp.org

THE PAYROLL TAX CUT ! ! !

- Payroll Tax Holiday, from 6.2% to 4.2%
 - Impetus: put \$120 billion in pockets, JOBS
 - Fully repaid by Congress?
 - Permanent? Or a 30% tax increase?
 - “Good-bye SS ” ?

POLICY ALTERNATIVES

- Need family-friendly policies
- Help families juggle paid / unpaid work
- Minimum Benefit
 - Set at poverty line
 - Eliminates need for Spousal Benefits
 - Eliminates need for SSI for SS recipients
- Minimum Benefit = most effective policy for reducing gender and race inequality and insecurity.

DISCUSSION

- **Market-friendly vs. Family-friendly**
 - **SSI**
 - **Private Pensions**
 - **SS**