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Social Security works for Washington: 2020 facts and fixes

Social Security improves economic security for more than 1.3 million Washington residents and their families, and contributes significantly to economic stability and growth across the state. While it is currently on sound fiscal footing, federal lawmakers should act now to remove Social Security's cap on taxable earnings, raise benefits, and make other improvements to ensure it meets the needs of today's workers, families, and retirees.

Social Security improves economic security, stability, and growth in Washington

- **Social Security provides income over 1 million Washingtonians.** More than 1.3 million state residents receive Social Security benefits, representing 18 percent of the state's population and 30 percent of households.[1] Of people receiving benefits, 79 percent (more than 1 million) are age 65 or older, 16 percent (220,000+) are age 18-64, and 5 percent (72,000+) are under 18. Nine in 10 residents age 65 or older receive benefits; 55 percent of those (568,000+) are women.[2]
- **Social Security dramatically reduces poverty among the elderly in Washington.** Without Social Security, elderly poverty rates would climb from 7.2 percent to 32.1 percent.[3] Even though average retirement benefits are just $1,557/month ($18,680/year), Social Security kept an estimated 290,000 Washingtonians age 65 or older from living in poverty in 2019.[4]
- **Social Security is the primary insurance protection for 95 percent of Washington's 1.8+ million children and families.** In the event a parent or spouse were to die or be disabled, without Social Security benefits, more than twice as many children would live in poverty.[5,6] In 2019, over 107,000 widow(er)s and children in Washington received an average $1,374/month ($16,488/year) for survivor's benefits; more than 193,000 disabled workers and their families received an average $1,234/month ($14,812/year).[7]
- **Social Security significantly boosts Washington's economy.** In 2019, benefits were equivalent to 4.9 percent of state total personal income – generating an estimated $44.6 billion in economic activity, more than 282,000 jobs, and nearly $2.3 billion in state and local tax revenue.[8,9] In December of 2019 alone, more than $1.9 billion in Social Security benefits went directly to local economies – from populous King County ($473.2 million to 300,325 people) to rural Garfield County ($945,000 to 685 people).[10]
- **Social Security helps alleviate racial and gender inequality in retirement.** Nationwide, the share of whites at risk of inadequate retirement income was 48 percent, versus. 54 percent for blacks and 61 percent for Hispanics.[11] Women also face a persistent wage gap in comparison to men's earnings, leading to lifetime incomes losses in excess of $400,000.[12] While Social Security's benefits and contributions are neutral with respect to race, ethnicity, and gender, its progressive benefit formula returns a higher proportion of earnings for people who had lower incomes during their working life.

Why Congress should "scrap the cap" to bolster the Trust Fund

In the early 1980s, Congress increased payroll taxes and reduced future benefits for millions of Americans in order to build a surplus in the Social Security Trust Fund for the Baby Boomer generation's retirement.[13] It worked as planned; the latest Trust Fund report projects Social Security can pay all benefits in full and on time until 2034, and three-fourths of scheduled benefits thereafter, even if Congress takes no action.[14]

Today, workers and employers each pay 6.2 percent of wages to finance Social Security, but there's a cap on taxable wages ($137,700 in 2020).[15] So while 94 percent of workers pay Social Security tax on every paycheck, most of the earnings of the top 1 percent, and especially the top 0.1 percent, escape being taxed.[16] Congress can avoid future cuts *and* improve benefits for those who need a boost by "scrapping the cap."

How America can create a more equitable and secure retirement for all

Social Security is the nation's most efficient, secure, universal and portable source of retirement income – and it offers benefits unavailable in the private sector, like progressive and family benefits, automatic inflation adjustments, and benefits for divorced spouses. But too many seniors and families still struggle to make ends meet. Federal lawmakers should take steps to expand and improve Social Security by:

Raising benefits overall: Adjusting the benefit formula to raise benefits for those who have had careers in low-wage occupations – such as childcare, restaurant service, or home health care – would better protect the financial security of people just scraping by.

Protecting the very elderly: Living to extreme old age, or living without a spouse greatly increases the risk of poverty. "Bump-ups" in benefits for seniors living past a certain age and increasing benefits for elderly widow(er)s would reduce financial insecurity among these vulnerable people.

Reducing gender and racial inequities: Caring for children or aging family members can cause many people, especially women, to reduce time in the workforce, greatly affecting their retirement benefits. Reducing the number of years' earnings used to calculate benefits from 35 to 28 can eliminate the caregiving penalty. It would also help those with reduced access to employment due to recessions, discrimination, local economic conditions or disasters, and other barriers.

Restoring student survivor benefits: Before 1981, children of retired, deceased, or disabled workers continued receiving benefits through age 22 if they attended college. Now benefits end once a young person both turns 18 and finishes high school. Reinstating college benefits would help more children and their families achieve their dreams, as well as reduce socioeconomic barriers to education and lifetime opportunities.

Adopting the CPI-E inflation index: Over the past decade, Social Security's existing cost of living adjustment (COLA) formula has led to average increases of about 1.4 percent per year.[17] However, comparatively larger increases in Medicare premiums have often meant many seniors see no additional income. Adopting the consumer price index for the elderly, or CPI-E, would more accurately calculate adequate COLAs for retirees.

Restoring office access & services: The Social Security Administration's (SSA) expenses are self-funded and account for less than one penny of every dollar spent. But from 2010 to 2019, its operating budget fell nearly 11 percent in inflation-adjusted terms — even as the number of Social Security beneficiaries grew by 17 percent. SSA staffing levels have declined by 12 percent since 2010, hampering its ability to perform essential services.[18] Restoring full funding would help ensure people can access service at critical moments in their lives.

Promising federal legislation that needs your support

Congress is considering several measures that would improve Social Security in one or more of the ways outlined above, including: the Social Security 2100 Act (H.R. 860/S. 269), the Social Security Expansion Act (H.R. 1170/S. 478), the Strengthening Social Security Act (H.R. 2654), the Protecting and Preserving Social Security Act (H.R. 2302/S. 1132), and the Social Security for Future Generations Act (H.R. 4121).

You can send a message here to call on your member of Congress to take action on these and similar bills: https://socialsecurityworks.org/take-action-sign-petition-expand-social-security/.

Endnotes

[1] American Community Survey, "Table DP03 – Selected Economic Characteristics, 2018 1-year estimates", http://data.census.gov/; U.S. Social Security Administration, Office of Retirement and Disability Policy, Office of Research, Evaluation and Statistics, "OASDI Beneficiaries by State and County 2019," https://www.ssa.gov/policy/docs/statcomps/oasdi_sc/2019/.

[2] U.S. Social Security Administration, "OASDI Beneficiaries by State and County 2019," https://www.ssa.gov/policy/docs/statcomps/oasdi_sc/2019/.

[3] Center on Budget and Policy Priorities, "Social Security Lifts More Americans Above Poverty Than Any Other Program," February 2020, https://www.cbpp.org/research/social-security/social-security-lifts-more-americans-above-poverty-than-any-other-program; American Community Survey, "Table S0103 – Population 65 Years and Over, 2018 1-year estimates", http://data.census.gov/.

[4] U.S. Social Security Administration, "OASDI Beneficiaries by State and County 2019", https://www.ssa.gov/policy/docs/statcomps/oasdi_sc/2019/.

[5] U.S. Social Security Administration, "Social Security Program Fact Sheet," https://www.ssa.gov/OACT/FACTS/; American Community Survey, "Table DP03 – Selected Economic Characteristics, 2018 1-year estimates", http://data.census.gov.

[6] Social Security Administration Office of Retirement Policy, "Child Beneficiaries and Poverty," March 2015, https://www.ssa.gov/retirementpolicy/fact-sheets/children-poverty.html.

[7] U.S. Social Security Administration, "OASDI Beneficiaries by State and County 2019," https://www.ssa.gov/policy/docs/statcomps/oasdi_sc/2019/.

[8] Calculations based on: 1) Personal Income Data from Bureau of Economic Analysis, "Table SA1 – Personal income summary," https://www.bea.gov/ and 2) U.S. Social Security Administration, "OASDI Beneficiaries by State and County 2019," https://www.ssa.gov/policy/docs/statcomps/oasdi_sc/2019/.

[9] Derived from research produced by AARP Public Policy Institute, "Social Security's Impact on the National Economy," October 2013, https://www.aarp.org/content/dam/aarp/research/public_policy_institute/econ_sec/2013/social-security-impact-national-economy-AARP-ppi-econ-sec.pdf.

[10] U.S. Social Security Administration, "OASDI Beneficiaries by State and County 2019," https://www.ssa.gov/policy/docs/statcomps/oasdi_sc/2019/.

[11] Center for Retirement Research at Boston College, "Trends in Retirement Security by Race/Ethnicity," November 2018, https://crr.bc.edu/briefs/trends-in-retirement-security-by-raceethnicity/.

[12] National Women's Law Center, "Lifetime Wage Gap Losses for Women: 2019 State Rankings," March 2019, https://nwlc.org/wp-content/uploads/2019/03/Women-Lifetime-Losses-State-by-State-2019.pdf.

[13] National Academy of Social Insurance, "Strengthening Social Security for the Long Run," November 2010, http://www.nasi.org/sites/default/files/research/SS_Brief_035.pdf.

[14] Social Security and Medicare Boards of Trustees, "A Summary of the 2020 Annual Reports," April 2020, https://www.ssa.gov/oact/TRSUM/.

[15] Set by Congress in 1977 and indexed to average wage growth, the cap was intended to cover 90 percent of all wages. But over the past several decades, wage growth for low- and middle-income Americans has slowed, while wages at the top have grown dramatically. As a result, the cap now covers just 83 percent of aggregate wages. See: Center on Budget and Policy Priorities, "No COLA for 2016 Will Affect Medicare Premiums and Social Security Finances," October 2015, http://www.cbpp.org/blog/no-cola-for-2016-will-affect-medicare-premiums-and-social-security-finances and Social Security Administration, "Table 4.B1 – Number of workers with taxable earnings, amount of earnings, and Social Security numbers issued, selected years 1937–2017," https://www.ssa.gov/policy/docs/statcomps/supplement/2018/4b.html.

[16] Social Security Office of Retirement Policy, "Taxable Maximum Earners," released March 2015, https://www.ssa.gov/policy/docs/population-profiles/tax-max-earners.html.

[17] Social Security Administration, "Cost of Living Adjustments," http://www.ssa.gov/OACT/COLA/colaseries.html.

[18] Center on Budget and Policy Priorities, "Senate Bill Would Cut Social Security Operations Again," October 2019, https://www.cbpp.org/blog/senate-bill-would-cut-social-security-operations-again.