Preserve, Protect, Pass On

5 SOLUTIONS TO STRENGTHEN SOCIAL SECURITY FOR ALL

BY MIRANDA VARGAS AND MARILYN WATKINS, PH.D.

Summary

Social Security is a longstanding success of our democratic system. It provides financial security and stable incomes to 60 million Americans directly receiving retirement, disability, or survivor benefits.[1] In Washington state, 29% of households depend on Social Security income.[2]

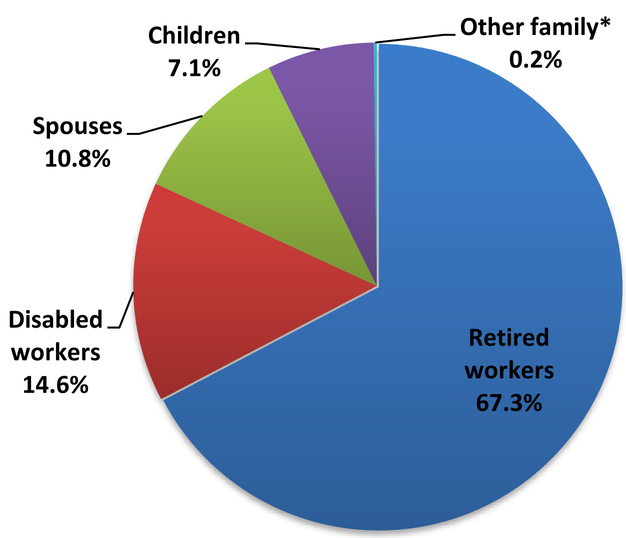
Social Security is the most common source of income among older adults, and for the majority of senior households it is the largest source of income.[3] Nationally, in 2014, it prevented 15 million older adults from living in poverty.[4] Black and Latino seniors – both men and women – and widowed and other unmarried women of all races are especially likely to rely on Social Security for all or nearly all of their income.[5]

Social Security also protects people of all ages. In the U.S., 3.2 million children under age 18 receive benefits directly, typically because a parent has died or become disabled, and an additional 3.2 million children live in households receiving benefits. While the majority of these children are White, Black and Latino children are more likely to benefit from the program. Altogether, Social Security lifts more than 1 million children out of poverty.[6]

How Does Social Security Work?

Working Americans and their employers each pay 6.2% of wages into Social Security, up to the cap of $118,500 in 2016.[7] These payroll premiums fund current benefits supplemented by interest from the Trust Fund that has been built up since the 1980s to help cover the retirement of the baby boom generation. The average monthly benefit is $1,182.24.

DISTRIBUTION OF 2016 SOCIAL SECURITY BENEFICIARIES



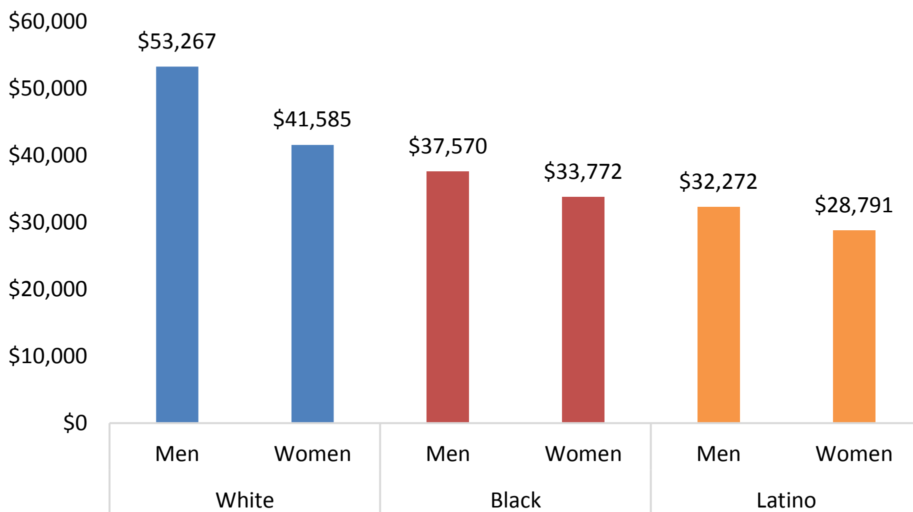
Source: Social Security Administration.
**Other family includes dependent parents and widowed mothers and fathers.*

The Connection to Wage Inequality

Social Security benefits are progressive, meaning that benefits replace a higher percentage of earnings for low wage workers than for high wage workers. But those with higher lifetime incomes still receive more in benefits. The gender and racial wage and opportunity gaps, and women's greater likelihood of taking time out of the workforce or working a reduced schedule for family care, therefore ultimately affect the size of benefits.

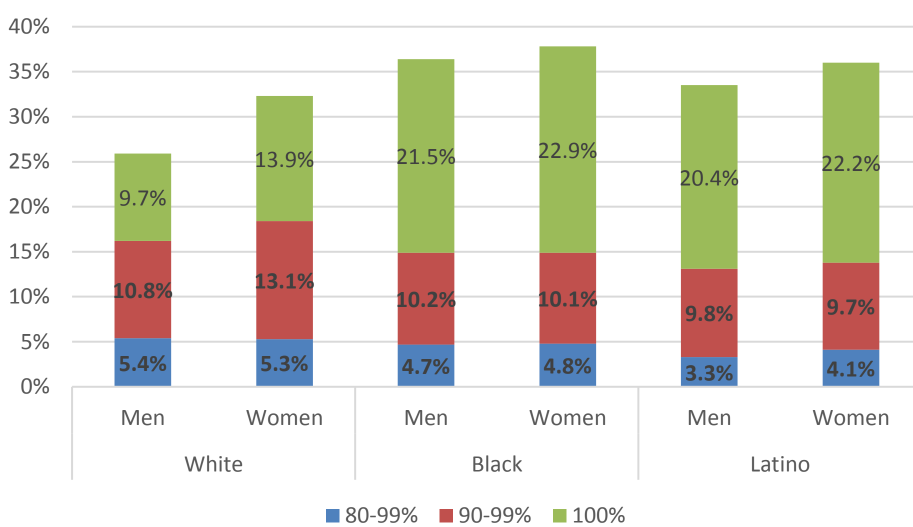
While women of all races and Black and Latino men are more likely to depend on Social Security for all their income, they also typically receive lower benefits than white men. In 2013, for those over age 65 the average benefit was $16,590 for all men, but $12,857 for all women, $14,148 for Latino men, and $10,931 for Latina women.[8] Reducing wage inequality would go a long way toward assuring secure retirements for all workers, as well as bolstering Social Security's finances and long-term sustainability.

MEDIAN EARNINGS OF FULL TIME WORKERS IN THE PAST 12 MONTHS, 2014



Source: American Community Survey

DISTRIBUTION OF PEOPLE AGED 65+ WITH SOCIAL SECURITY AS 80% OR MORE OF INCOME, 2014



Source: Social Security Administration

Looking Ahead: Strengthening Social Security

As successful as Social Security is in providing financial stability for individuals, families, and communities across the nation, we can make it even better and assure that it continues to protect American workers for generations to come. In this election year, it is crucial to understand candidates' stances on Social Security and the impacts of their proposals.[9] Some of the best ideas to strengthen Social Security include:

▪ Increase Benefits Overall

Although Social Security kept 21.4 million Americans out poverty in 2014,[10] benefits can be expanded to better protect the financial and retirement security of the much larger number of people who are just scraping by, particularly older women and people of color.[11] The simplest way to do that is to adjust the benefit formula to raise benefits for those who have spent their careers in low wage occupations – such as childcare, restaurant service, or home health care.

▪ Protect the Very Elderly

Living to extreme old age and outliving or not having a spouse greatly increase the risk of poverty. "Bump-ups" in benefits for seniors living past a certain age, and/or increasing benefits for elderly widows and widowers, would reduce financial insecurity among the most vulnerable.

▪ Reinstate Coverage for College Students

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 turns 18 and finishes high school. Reinstating college benefits could help children and their families achieve their dreams, as well as reduce socioeconomic barriers to education and lifetime opportunities.[12]

> **QUICK FACTS**
>
> **6.4 million**
>
> Number of children directly or indirectly benefiting from Social Security
>
> -
>
> **21.4 million**
>
> Number of people kept out of poverty by Social Security in 2014
>
> -
>
> **48**
>
> Percent of disabled workers whose incomes are covered at least half by Social Security

▪ Protect Caregivers and Others with Time Out of the Workforce

Caring for children or aging family members can cause a lot of people, especially women, to reduce their hours or stop working altogether, greatly impacting their retirement benefits. Reducing the number of years' earnings used to calculate retirement benefits from 35 to 30 or 28 would be the simplest way to eliminate the caregiving penalty, as well as benefit those who had reduced access to employment because of economic or other circumstances.

▪ Scrap the Cap

Social Security's Trustees and actuaries annually project the program's financing 75 years into the future. In 2016, they predicted the system could pay full scheduled benefits through 2034, then could cover 79% of expected benefits.[13] With the current contributions cap of $118,500, the majority of workers pay on their entire earnings all year, while those with the highest salaries contribute only for part of the year. Eliminating the cap immediately would tax all workers equally, help finance benefit expansion, and secure the program for future generations.

Notes

1 U.S. Social Security Administration, Number of beneficiaries receiving benefits on December 31, 1970-2015, https://www.ssa.gov/oact/STATS/OASDIbenies.html.

2 U.S. Census Bureau, American Community Survey 2015, Selected Economic Characteristics for Washington, 1-year estimates.

3 U.S. Social Security Administration, Income of the Population 55 or Older, 2014, https://www.ssa.gov/policy/docs/statcomps/income_pop55/.

4 The Gerontology Institute, University of Massachusetts Boston, *The Elder Economic Security Initiative: The Elder Economic Security Standard Index for Washington*, 2011, http://www.wowonline.org/documents/WashingtonElderIndexReport.pdf.

5 U.S. Social Security Administration, Income of the Population 55 or Older, 2014, https://www.ssa.gov/policy/docs/statcomps/income_pop55/.

6 Center for Global Policy Solutions, *Overlooked But Not Forgotten: Social Security Lifts Millions More Children Out Of Poverty,* July 2016, http://globalpolicysolutions.org/report/overlooked-not-forgotten-social-security-lifts-millions-children-poverty/.

7 Edwards KA, Turner A, and Hertel-Fernandez A, Economic Policy Institute, *A Young Person's Guide to Social Security,* 2016, http://www.epi.org/files/2016/young_person%27s_guide_to_social_security_3rd_edition_optimized.pdf.

8 U.S. Social Security Administration, "Social Security is Important to Women," and "Hispanics and Social Security," viewed August 4, 2016, https://www.ssa.gov/people/.

9 Sample proposals include: Social Security Works' *All Generations* Plan viewed at http://www.socialsecurityworks.org/wp-content/uploads/2014/03/Social-Security-Works-All-Generations-Plan.pdf, and Senator Brian Shatz's (D-HI) *Safeguarding American Families and Expanding Social Security Act* viewed at: https://www.congress.gov/bill/114th-congress/senate-bill/1940?q=%7B%22search%22%3A%5B%22schatz%22%5D%7D https://retiredamericans.org/safeguarding-american-families-and-expanding-social-security-act/

10 DeNavas-Walt C and Proctor BD, U.S. Census Bureau, Current Population Reports, *Income and Poverty in the United States: 2014*, 2015, https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-252.pdf.

11 Hartmann H, Institute for Women's Policy Research, *Enhancing Social Security for Women and other Vulnerable Americans: What the Experts Say,* 2014, http://iwpr.org/publications/pubs/enhancing-social-security-for-women-and-other-vulnerable-americans-what-the-experts-say.

12 Edwards KA, Turner A, and Hertel-Fernandez A, Economic Policy Institute, *A Young Person's Guide to Social Security,* 2016, http://www.epi.org/files/2016/young_person%27s_guide_to_social_security_3rd_edition_optimized.pdf.

13 U.S. Social Security Administration, 2016 Annual Report of the Board of Trustees, https://www.ssa.gov/OACT/TR/2016/tr2016.pdf.