

Social Security

General Background

Social Security is the nation's fundamental social insurance program, providing support to older adults, people with disabilities, and survivors of deceased workers. In 2008, Social Security covered almost 51 million people, including 4.1 million children.¹ For a majority of older adults, Social Security is the “major source of income.” In 2008, candidate Obama described Social Security as “indispensable to workers and seniors” and “probably the most important and most successful programs [sic] that our country has ever created.”²

The aging of the population, along with increasing life expectancy, has raised concern that Social Security will be unable to finance the retirement of the baby boomers. According to the 2009 intermediate projection of the Social Security Trustees, the OASDI Trust Fund will remain solvent until 2037, after which Social Security will be able to meet only 74-76 percent of its obligations. Beginning in 2016, Social Security will take in less in revenue than it pays out in benefits; in 2024, Social Security's tax income plus interest from loans to the government will exceed the program's expenses. Over 75 years, the “actuarial deficit” amounts to “2.00 percent of taxable payroll,” a relatively modest increase of 0.30 over 2008. The program's slightly worsened position is largely due to the economic recession and larger-than-expected improvements in projected life expectancy.³

To meet the shortfall, President Obama has, correctly in our view, ruled out “privatizing” the system, raising the retirement age, and cutting benefits.⁴ This position is particularly important since, in light of the collapse of the housing and stock markets, many baby boomers will need to rely on Social Security more “than ever.”⁵

Recommendations

- Support of proposals that would generate more revenues through adjustments in the payroll tax cap or other changes that would result in greater contributions from higher income persons — for example, President Obama's proposal to increase the payroll tax contributions by 2-4 percentage points (“combined employer and employee”) for individuals earning more than \$250,000 a year.⁶ This would not only help close the shortfall but also move the “maximum earnings base” closer to covering the traditional 90 percent of “aggregate earnings” (vs. the roughly 85 percent covered today).⁷
- However the shortfall is addressed, the solution should ensure that Social Security remains “universal; an earned right; wage-related; contributory and self-financed; redistributive; not means-tested; wage-indexed; inflation-protected; and compulsory.”⁸
- Women, African Americans and other historically-disadvantaged groups should have special standing in the next round of Social Security reform.^{9, 10} Widows, the very old, older workers who accept reduced early retirement

benefits because jobs are not available, low-income persons, and persons who have either lost or never had substantial occupational pensions or private savings are all at risk. We should be sure that all proposals to meet the shortfall do not adversely impact these groups.

References

- ¹ Fact Sheet on the Old-Age, Survivors, and Disability Insurance Program. SSA. Office of the Chief Actuary. January 2, 2009. Retrieved June 7, 2009 from www.ssa.gov/OACT/FACTS/.
- ² The National Committee to Preserve Social Security and Medicare. (2008). Presidential Candidate Questionnaire. Retrieved June 7, 2009 from www.ncpssm.org/pdf/obama-response.pdf.
- ³ The 2009 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Trust Funds, pp. 2, 3, 192. Retrieved June 7, 2009 from www.ssa.gov/OACT/TR/2009/tr09.pdf.
- ⁴ Organizing for America. Seniors & Social Security. Retrieved June 7, 2009 from www.barackobama.com/issues/seniors/index_campaign.php#protect-ss.
- ⁵ The Center for Economic Policy Research. Testimony of Dean Baker Before the Senate Special Committee on Aging. Retrieved June 7, 2009 from www.cepr.net/index.php/publications/reports/testimony-of-dean-baker-before-the-senate-special-committee-on-aging/.
- ⁶ Reno, V.P., & Lavery, J. (2005). *Options to Balance Social Security Funds Over the Next 75 Years*. National Academy of Social Insurance. Social Security Brief No. 18. Retrieved June 8, 2009 from www.nasi.org/usr_doc/SS_Brief_18.pdf.
- ⁷ Ball, R.M., & Bethell, T.N. (1998). *Straight Talk about Social Security: An Analysis of the Issues in the Current Debate*. The Century Foundation Press: New York, p. 60.
- ⁸ Social Security Administration. (2008) *Social Security Is Important to Women*. Press Office. Retrieved June 8, 2009 from www.socialsecurity.gov/pressoffice/factsheets/women.htm.
- ⁹ Social Security Administration. (2008) *Social Security Is Important To African Americans*. Press Office. Retrieved June 8, 2009 from www.socialsecurity.gov/pressoffice/factsheets/africanamer.htm.

Additional Resources

National Association of Social Workers. (2009). *Role of Government, Social Policy, and Social Work. Social work speaks: National Association of Social Workers policy statement, 2009-2012* (8th ed., pp. 292-296). Washington, DC: NASW Press.