

STRENGTHEN SOCIAL SECURITY

...don't cut it.

Key Facts About Social Security

Social Security Did not Cause the Federal Deficit and It is not in Crisis

- Social Security has not contributed a penny to the deficit. In fact, it had a \$2.6 trillion surplus in 2010, which is projected to grow to \$4.2 trillion by 2025.¹
- Social Security cannot borrow or go into debt. Its benefits must be paid only from its dedicated revenue, which is primarily from contributions paid by employers and workers.²
- Social Security can pay all benefits in full through 2036. After then it can pay 78% of benefits decreasing to 75% in 2084 and beyond.³
- The real causes of the nation's recent huge deficits have been President Bush's tax cuts in 2001 and 2003, the economic downturn, the costs of the Iraq and Afghanistan wars, the economic stimulus and recovery spending and the Wall Street bank bailout.⁴
- Long-range the major deficit challenge is rapidly rising health care costs:
 - Medicare and Medicaid costs are projected to grow from about 5.3% to 17.2% of GDP from 2009 to 2080, according to the Congressional Budget Office.⁵
 - Social Security costs are projected to grow only from 4.8% to 6.1% of GDP by 2035, and then decline to roughly 5.9% of GDP in 2050 and remain there through 2084.⁶
- Claims that Social Security could not pay its bills in 2010 were false. Social Security was projected to have a \$76.7 billion surplus in 2010 due to income from the taxation of benefits and interest earnings from the investment of its accumulated surplus.⁷ It is true that Social Security outlays exceed tax revenues for 2010 and 2011 – something that has occurred 15 times since 1956 and is neither unusual, nor noteworthy.⁸
- Social Security's administrative expenses are less than one cent (0.9%) of every dollar in benefits paid.⁹

Solving Social Security's Long-Term Funding Shortfall Without Benefit Cuts

- Social Security is fully affordable. Its projected deficit after 2036 is just 0.7% of GDP, about the same size as extending the Bush tax cuts for the top two percent of the wealthiest Americans.¹⁰
- Whether Social Security's projected deficit should be eliminated through benefit cuts, tax increases, or some combination of the two, is a political, not an economic question.
- Reinstating the estate tax at its 2009 level of 3.5% and dedicating the revenues to Social Security would eliminate over one-quarter (26%) of the projected shortfall. This is roughly the same financial impact of raising the retirement age to 70, which would eliminate 31% of the projected shortfall.¹¹
- By scrapping the payroll tax cap and subjecting all wages above \$106,800 to the payroll tax, Social Security would be in surplus after 2036, when the shortfall begins.¹²

Raising the Retirement Age is a Substantial and Unwarranted Benefit Cut

- Social Security's full retirement age has been gradually increasing from age 65 to age 67.¹³ This two-year increase is a 13% cut in benefits, no matter what age a worker retires, according to the Social Security Administration.¹⁴
- An increase in the retirement age would disproportionately harm workers in the lower half of the earnings distribution who have experienced much smaller gains in life expectancy, if any at all. Lower-income men have seen a gain of only 1.1 years since 1982 (as the retirement age increased by one year), and lower-income women have seen life expectancy decline in the same period.¹⁵
- Working longer is not a choice for many of the 8.5 million Americans in physically demanding jobs. Nearly half (45%) of workers aged 58 and older are in physically demanding jobs or difficult working conditions.¹⁶
- Because of age discrimination, it is much harder for older workers to find a new job after they have been laid off. The U.S. Equal Employment Opportunity Commission reported that there was a nearly 30% increase in age discrimination charges from 2007 to 2008.¹⁷ One study found that 35 year-old female workers are 40 percent more likely to receive a job interview than 62-year-old female workers with identical résumés, suggesting that age discrimination remains a significant obstacle for older workers in general, and for older women seeking employment in particular.¹⁸

Social Security Works for Americans of All Ages and Backgrounds

- 156 million working Americans contribute to Social Security who will receive promised benefits for themselves and their families, in the event of disability, death or old age.¹⁹
- Social Security benefits totaled more than \$675 billion in 2009,²⁰ an amount equivalent to 4.7% of the nation's annual GDP (the total value of all goods and services produces).²¹
- About 1 out of 4 households – 53.9 million beneficiaries – receive Social Security benefits.²²
- Social Security is not just for retirees – almost 1 out of 3 beneficiaries receive disability or survivor benefits.²³
- Social Security is the nation's largest and, despite its modest benefits, most generous disability program, without which more than half of disabled workers would have incomes below the poverty line.²⁴
- Social Security is the nation's largest and most generous children's program. About 6.8 million children (9% of all children under age 19) depend on Social Security, including 3.3 million dependent children who directly receive benefits and 3.5 million children who live in households where another family member receives Social Security.²⁵
- Women are 56% of adult Social Security beneficiaries.²⁶
- More than 4 out of 10 veterans (43%) rely on Social Security, or 9.2 million of the nation's 24 million veterans.²⁷

Social Security Benefits Are too Modest and too Vital to Cut

- The average Social Security benefit is about \$13,000 a year and \$14,000 for retirees.²⁸

- Almost two out of three seniors rely on Social Security for half or more of their income. More than one out of three seniors relies on Social Security for 90% or more of their income.²⁹
- Social Security lifts 20 million Americans out of poverty.³⁰
- Without Social Security, the rate of poverty among the elderly would increase from 1 out of 10 (9.6%) to more than 4 out of 10 (45%).³¹
- Social Security effectively replaces about 39% of the wages of a median-wage earner retiring at age 65. This replacement rate is slated to drop to just 32% over the next two decades.³²
- Social Security has increased from 30% of the average American seniors' income in 1962 to 37% in 2008—a nearly 25% jump.³³

Social Security is Especially Important to Minorities

- Social Security provides nearly three-quarters (72%) of the income of African American households with beneficiaries aged 65 and older, on average. Social Security is 100% of the total income for 4 out of 10 (39.5%) of these African American elderly households.³⁴
- 3 out of 10 (31%) of all African American beneficiaries receive Social Security disability benefits; for white beneficiaries it is about half of that percentage (15%).³⁵
- Social Security provides three-quarters (75%) of the total income of Latino households with beneficiaries aged 65 and older, on average. Social Security is 100 percent of the income for more than 4 out of 10 (44%) of these Latino elderly households.³⁶
- Without Social Security, the elderly Latino poverty rate would increase from 1 out of 5 (19%) to one-half (50%).³⁷

¹ Social Security Trustees, "The 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds," 2010, p. 196. Available at <http://www.ssa.gov/OACT/TR/2010/tr2010.pdf>

² Social Security Trustees, *Ibid.*, Table II.B1, p. 5. In 2009, Social Security has \$807.5 billion in income of which \$667.3 billion (83%) came from tax contributions and \$140.2 billion (17%) was dedicated proceeds from the taxation of benefits and interest earnings from the investment of its accumulated surplus.

³ Social Security Trustees, *Ibid.*, p. 9.

⁴ Center on Budget and Policy Priorities (CBPP), "Critics Still Wrong on What's Driving Deficits in Coming Years," June 28, 2010. Available at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3036>.

⁵ Congressional Budget Office (CBO), "The Long-Term Budget Outlook, Table 1-2", June, 2010, p. 6. Available at <http://www.cbo.gov/ftpdocs/102xx/doc10297/06-25-LTBO.pdf>.

⁶ Social Security Trustees, *Ibid.*, p. 3.

⁷ Social Security Trustees, *Ibid.*, Table IV.A.3, p. 43.

⁸ Social Security Administration (SSA), "Annual Statistical Supplement: Table IV.A3—Combined OASI and DI, 1957–2008," Available at <http://www.ssa.gov/policy/docs/statcomps/supplement/2009/4a.pdf> Benefits also exceeded payroll contributions in 2009, according to the Social Security Trustees, *Ibid.*, "Table IV.A3.," 2010, p. 43.

⁹ Social Security Trustees, *Ibid.*, p. 6 and Table VI.C6, p. 161.

¹⁰ CBPP, "What the 2010 Trustees' Report Shows About Social Security," August 13, 2010. Available at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3262>. Social Security Trustees, *Ibid.*, p. 3.

¹¹ National Academy of Social Insurance (NASI), *Fixing Social Security: Adequate Benefits, Adequate Financing*, October 2009. Available at http://www.nasi.org/sites/default/files/research/Fixing_Social_Security.pdf.

¹² NASI, *Ibid.*

¹³ Social Security's full retirement age is slowly rising from 65, where it was for those first accepting their retired worker benefits at aged 62 or older before 2000, to age 67 for those who are first eligible to receive retired worker benefits at age 62 in 2022. A chart of retirement benefits by age is at

<http://www.ssa.gov/retire2/agereduction.htm>

¹⁴ SSA, "Effect of Early or Delayed Retirement on Retirement Benefits," 2010. Available at

http://www.ssa.gov/OACT/ProgData/ar_drc.html. Each one-year increase represents a cut of 6% to 7%.

¹⁵ Harry C. Ballantyne, Lawrence Mishel and Monique Morrissey, "Briefing Paper #273: Social Security and the Federal Deficit, Not Cause and Effect," Economic Policy Institute, August 6, 2010, p. 8. Available at

http://epi.3cdn.net/99133adf653fd78719_qym6b95et.pdf

¹⁶ Hye Jin Rho, "Hard Work? Patterns in Physically Demanding Labor Among Older Workers," Center for Economic and Policy Research, 2010. p. 2. Available at <http://www.cepr.net/documents/publications/older-workers-2010-08.pdf>

¹⁷ *Washington Post*, "Age Discrimination Claims Jump, Worrying EEOC, Worker Advocates," July 2009. Available at <http://www.washingtonpost.com/wp-dyn/content/article/2009/07/15/AR2009071503760.html>

¹⁸ Joanna Lahey, "Age, Women and Hiring: An Experimental Study," pre-publication, Center for Retirement Research at Boston College, 2006. Available at

http://escholarship.bc.edu/cgi/viewcontent.cgi?article=1133&context=retirement_papers

¹⁹ Social Security Trustees, "The 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, Table VI.F8," 2010, p. 2. Available at

<http://www.ssa.gov/OACT/TR/2010/tr2010.pdf>

²⁰ SSA, "Table 5.J1—Estimated total annual benefits paid, by state or other area and program, 2009 (in millions of dollars)," in *Annual Statistical Supplement to the Social Security Bulletin, 2010*. Available at

<http://www.ssa.gov/policy/docs/statcomps/supplement/2010/5j.html#table5.j1>

²¹ Percentage of GDP from SSA, *Fast facts & Figures About Social Security, 2010*, p. 3. Available at

http://www.ssa.gov/policy/docs/chartbooks/fast_facts/2010/fast_facts10.pdf

²² SSA, "Monthly Statistical Snapshot Table 2-Social Security Benefits, June 2010." Available at

http://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/. Estimate of number of households from Economic Policy Institute, "Briefing Paper #287: Building on Social Security's Success," November 20, 2007, p. 3. Available at <http://www.sharedprosperity.org/bp208/bp208.pdf>.

²³ SSA, "Fact Sheet on the Old-Age, Survivors, and Disability Insurance Program." Available at

<http://www.ssa.gov/OACT/FACTS/> As of June 30, 2010, 9,958,000 people received benefits as a disabled worker or family member of a disabled worker; 6,391,000 received benefits as a survivor of a deceased worker; and 37,048,000 people received benefits as a retired worker or a family member of a retired worker.

²⁴ Paul Van de Water, "Income of Disabled Worker Beneficiaries," Social Security Administration, 2001, p. 22.

Available at http://www.ssa.gov/policy/docs/chartbooks/income_workers/di_chart.pdf

²⁵ The estimate of 6.8 million children age 19 or under receiving a portion of their income from Social Security is based on data available from several sources. A somewhat smaller, earlier estimate can be found in: Generations United, "The Benefits of Social Security for Children," Generations United, 2010. See

http://www.gu.org/documents/AO/Social_Security_Benefits_for_Children_7.2010.pdf) and Joni Lavery and

Virginia P. Reno, "Children's Stake in Social Security," National Academy of Social Insurance Issue Brief No.

27, February, 2008. See http://www.nasi.org/sites/default/files/research/SS_Brief_027.pdf) More recent Social Security Administration data were used to update these estimates.

See http://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/index.html#table2 and <http://www.ssa.gov/policy/docs/statcomps/supplement/2010/5a.html#table5.a1>. Also, note that benefits for non-disabled children end at

age 18, unless they are full-time students in elementary or secondary school, in which case benefits end at the earlier of graduation from secondary school or in some cases two months after reaching age 19.

See http://www.ssa.gov/OP_Home/handbook/handbook.03/handbook-0342.html

²⁶ SSA, "Fast Facts & Figures About Social Security, 2010," 2010, p. 18. Available at

http://www.ssa.gov/policy/docs/chartbooks/fast_facts/2009/fast_facts09.pdf.

²⁷ SSA, "Military Veterans Paper Tables Updated CPS 2009," Washington, 2009, Pre-publication.

²⁸ Average monthly benefit amounts calculated by multiplying by twelve from SSA, “Fast Facts & Figures About Social Security, 2010,” p. 15. Available at

http://www.socialsecurity.gov/policy/docs/chartbooks/fast_facts/2010/fast_facts10.pdf

²⁹ SSA, “Fast Facts and Figures About Social Security, 2010,” Ibid., p. 7.

³⁰ CBPP, “Social Security Keeps 20 Million Americans Out of Poverty, A State-by-State Analysis,” August, 2010.

Available at <http://www.cbpp.org/files/8-11-10socsec.pdf>.

³¹ CBPP, Ibid.

³² NASI, *Fixing Social Security: Adequate Benefits, Adequate Financing*, October 2009, p. 2. Available at http://www.nasi.org/sites/default/files/research/Fixing_Social_Security.pdf. Note that “effective replacement rates” are declining over the next two decades because of the transition from 66 to 67 as the age of eligibility for full benefits (a.k.a. the full retirement age) and because Medicare premiums are projected to increase at a rate that is greater than the anticipated rate of growth of wages.

³³ SSA, “Fast Facts & Figures About Social Security, 2010,” Ibid., p. 6.

³⁴ SSA, “Table 9.A3 Percentage distribution of beneficiary units, by race, Hispanic origin, and marital status, 2008,” in *Income of the Population 55 or Older, 2008*, 2009 p. 302. Available at

http://www.ssa.gov/policy/docs/statcomps/income_pop55/2008/incpop08.pdf

³⁵ SSA, “Table 5.A1—Number and average monthly benefit, by type of benefit and race, December 2008,” in Ibid., 2009, p. 152.

³⁶ SSA, “Table 9.A3 Percentage distribution of beneficiary units, by race, Hispanic origin, and marital status, 2008,” Ibid.

³⁷ National Council of La Raza, “Facts About Latinos and Social Security,” 2010. Available at http://www.nclr.org/index.php/issues_and_programs/economic_policy/social_security_reform/.