REFORMING SOCIAL SECURITY

Option: Benefit Improvements

Social Security provides benefits to retired workers and their families; to the spouses and dependents of workers who have died; and to workers who have become disabled and their families. Those benefits are too low for certain groups, according to some who argue that as part of any effort to strengthen Social Security, lawmakers should consider increasing benefits for more-vulnerable recipients. Some proposals to improve benefits include the following:

✓ A new minimum benefit that is guaranteed to keep low-paid workers with long careers above the poverty level
✓ Earnings credits for people who are not in the paid workforce because they are caring for a child or other family member
✓ Increased benefits for a surviving spouse

Each of these proposals would require other adjustments to benefits or revenue. Proposals to improve benefits for caregivers and low-wage workers have been estimated to increase the funding gap by 5 to 13 percent. There are no available estimates for proposals to improve benefits for surviving spouses.

Perspectives on improving benefits:

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Social Security has all the features of an ideal pension plan: It is fully portable from job to job, it is secure, it pays benefits as long as you live, and it keeps up with the cost of living. But the adequacy of Social Security benefits could be—and should be—improved.

Benefits are modest—just $1,230 per month for the average retiree. Yet Social Security is the main source of income for most older people. Two in three beneficiaries over age 65 rely on it for more than half their incomes. Looking ahead, Social Security’s guaranteed benefits are likely to be more important than ever for tomorrow’s retirees. The case for improving benefits is strong.

The good news is that we afford to preserve and improve Social Security. The benefits that now go to 55 million Americans account for 5 percent of the entire economy. That share will increase as boomers retire, but will level off at about 6 percent. That is affordable. In survey after survey, across party lines and age groups, Americans say they would rather pay more than see benefits cut; majorities also support benefit improvements. Here are some possibilities. Each shows how much more an average
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A worker making $45,000 a year might pay, with matching funds from his or her employer, to cover the cost of the improvement.

- **Help those most in need** by updating Social Security’s special minimum benefit so that someone who works at low wages and pays into Social Security for 30 years can retire at 62 and not be poor (cost: 82 cents a week).
- **Give working parents credit for care giving** by letting them count up to eight years out of the workforce while caring for young children toward benefits that will keep them out of poverty in retirement (cost: $1.21 a week).
- **Improve economic opportunity for children of workers who die or become disabled** by continuing the child’s benefit until age 22 if he or she is in college or vocational school. Congress ended these student benefits in 1981. Later research found that they enabled many students from low-income families to complete their education and increase their lifelong earning power (cost: 30 cents a week).
- **Improve survivor benefits** for dual-earner couples and **help the oldest old** by raising benefits 5 percent at age 85 to help meet living costs (including out-of-pocket health care costs) as other resources are eroded by inflation or spent down at advanced ages (cost: 43 cents a week).
- **Raise benefits by $60 a month for all beneficiaries** to better help them make ends meet. This would provide the largest percentage increase to those with the lowest benefits (cost: $3.25 a week).

We could make some improvements soon, others later. There are many ways to improve the adequacy of Social Security benefits, if we wish to do so.

**David John**

For certain people, Social Security’s current benefit structure is unfair and unrealistic. For instance, a very low-wage worker can pay Social Security taxes for 35 years and end up with a benefit that is below the poverty limit. We claim to value people who interrupt their careers to raise children or care for a very ill family member, but the result is lower Social Security benefits and less security in retirement. And benefits for the surviving spouse of a couple can be extremely low.

All of these situations can—and should—be improved, but only as part of a complete overhaul of the entire Social Security system. Otherwise, the added cost will exhaust the Social Security trust fund even earlier than the program’s nonpartisan experts currently expect. If that happens, then current law says that everyone who is receiving benefits will have their benefits reduced by about 25 percent. This includes the lowest-income retiree whose entire income comes from Social Security and is just barely scraping by as well as the millionaire who really doesn’t even notice his or her Social Security benefits.

The most recent Social Security trustees’ report says that as it is now, the trust fund will be gone in 2033. The report called on Congress to act quickly to save the system for all of us. Most discussions about fixing Social Security focus only on fairly unpleasant actions such as raising taxes, cutting benefits, or raising retirement ages, but they could also include benefit increases for certain groups who are not being treated fairly. The program’s benefit structure has not been reviewed for almost 30 years, and much of it dates back much farther than that. Modernization is long overdue.
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For instance, it would be simple and fairly inexpensive to guarantee that everyone who has worked a full career and paid Social Security taxes for at least 35 years gets a benefit that is at least poverty level or slightly above. Similarly, benefits for widows or widowers could be set to increase their retirement security.

An equally important improvement would be to give people who interrupt their careers to care for a child or ill family member credit toward their Social Security benefits. This credit should be limited to a set number of years, and structured to reduce the number of years they need to work and pay the needed taxes for full benefits from the current 35 to a shorter period.

These are all excellent goals, but they must be part of a package that restores Social Security’s financial health so that it can provide greater retirement security for all. Otherwise, these benefit increases will only make across-the-board benefit cuts for everyone—including the very people who would be helped by benefit improvements—come even sooner than 2033.

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NOTE: The estimated solvency effects in this Perspectives report are based on the intermediate assumptions in the 2011 Social Security Trustees Report.