



CENTER *for*  
COMMUNITY CHANGE

# Expanding Social Security Benefits for Financially Vulnerable Populations

OCTOBER 2013

A WHITE PAPER BY CENTER FOR COMMUNITY CHANGE  
& OLDER WOMEN'S ECONOMIC SECURITY TASK FORCE



# About the Authoring Organizations

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## THE CENTER FOR COMMUNITY CHANGE

The mission of the Center for Community Change (CCC) is to build the power and capacity of low-income people, especially low-income people of color, to have a significant impact on improving their communities and the policies and institutions that affect their lives. CCC strengthens, connects, and mobilizes grassroots groups to enhance their leadership, voices, and power. We believe that vibrant community-based organizations, led by the people most affected by social and economic injustice, are key to creating social change. Support for the Center's work and for the development of this guide was generously provided by the Ford Foundation. The Campaign for Community Change is the Center's advocacy arm. Its work on Social Security has been generously supported by The Atlantic Philanthropies.

## OLDER WOMEN'S ECONOMIC SECURITY TASK FORCE

In the fall of 1998, the National Council of Women's Organizations (NCWO) formed an Older Women's Economic Security (OWES) Task Force to address the critical issue of Social Security reform and to help policy makers understand women's stake in this crucial issue. The Task Force has worked with all NCWO members to carry out a public education campaign to reach women across the country, and to urge them to let their representatives and candidates know their views on Social Security reform. Task Force members work in coalition (with labor unions, senior groups, youth advocates, disability rights groups, and civil rights organizations) to ensure the program's continued solvency and to improve Social Security for women and other vulnerable people by putting benefit improvements back on the public agenda. The following organizations are all supporting members of the OWES Task Force:

9to5

American Association of University Women  
Black Women's Health Imperative  
Business and Professional Women's Foundation  
The Center for Advancement of Public Policy  
Dialogue on Diversity  
Clearinghouse on Women's Issues  
Feminist Majority  
Hadassah  
Institute for Women's Policy Research  
Jewish Women International  
MANA National Latina Organization  
National Alliance for Caregiving  
National Association for Female Executives  
National Association of Mothers' Centers  
National Committee to Preserve Social Security  
and Medicare

National Council of Jewish Women  
National Council of Negro Women  
National Gay and Lesbian Task Force  
National Organization for Women (NOW)  
Foundation  
National Partnership for Women and Families  
National Women's Law Center  
Organization of Chinese American Women  
The U.S. Women's Chamber of Commerce  
OWL - The Voice of Midlife and Older Women  
Wider Opportunities for Women  
Women's Actions for New Directions  
Women's Institute for A Secure Retirement  
Women's Research & Education Institute  
YWCA

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# Introduction

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Our Social Security system has been and continues to be vitally important to the economic security of millions of workers and their families, with approximately 57 million Americans receiving \$67 billion in benefits in July 2013.<sup>1</sup> As seen in Figure 1, nearly 70 percent of these beneficiaries are retired workers and their families. Social Security also provides essential life insurance and disability protection, with disabled workers and their families and the survivors of deceased workers making up the remaining 30 percent of beneficiaries. Women and children constitute the majority (59 percent) of beneficiaries.

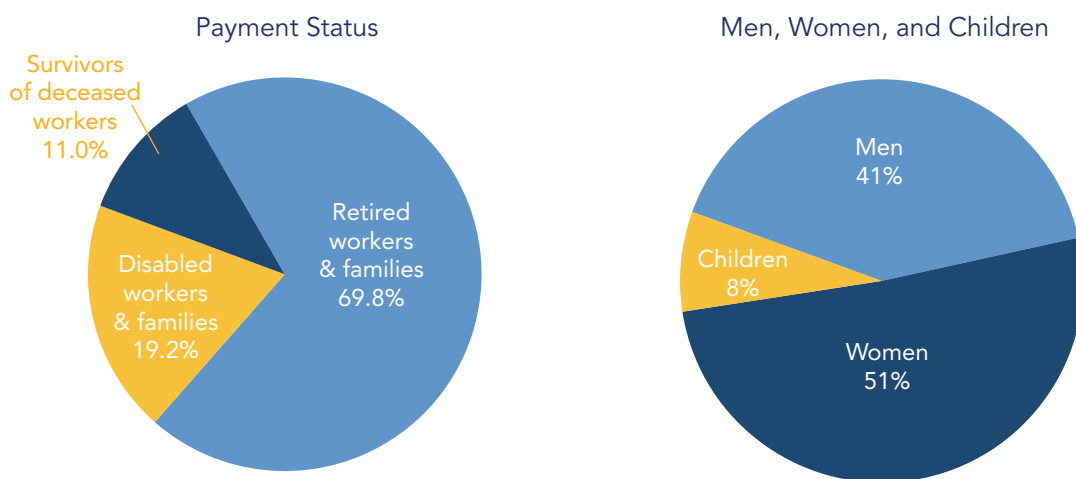
Social Security goes to nearly 95 percent of Americans 65 and older and is the bedrock of retirement security for all Americans. Our Social Security system is also extremely reliable; since it was created, Social Security has never missed a payment. For low-income retirees, Social

Security is especially important. Social Security provides nearly two-thirds of retired workers with 50 percent or more of their income.<sup>2</sup> Benefits lifted more than 15.3 million men and women of retirement age above the poverty line in 2012.<sup>3</sup>

Social Security's role in ensuring economic security has become even more important in the last few years, as many Americans find themselves dealing with the aftereffects of an economic recession that devastated their retirement savings and the value of their homes. Despite this turn of events, some politicians continue to advance proposals that would reduce Social Security benefits and weaken the program, even as so many families rely on it so heavily. One proposal that has gotten significant attention recently is adopting the Chained Consumer Price Index for All Urban Consumers, also known

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FIGURE 1: SOCIAL SECURITY BENEFICIARIES, DECEMBER 2012



Source: Social Security Administration. 2013. Beneficiary Data: Number of Social Security Beneficiaries at the End of December 2012. <<http://www.ssa.gov/cgi-bin/currentpay.cgi>>

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as the “chained CPI” to calculate annual cost of living adjustments. The chained CPI would amount to a painful benefit cut for millions of seniors, and be particularly damaging for vulnerable seniors who are most reliant on Social Security. Instead of advancing proposals to cut Social Security benefits, now is the time to talk about how we can *expand* benefits and make sure that Social Security works even better for everyone, and specifically for those who need it the most.

Social Security benefits are especially important to populations that experience greater economic insecurity as they age — particularly women, people of color, and same-sex couples. These populations are often disadvantaged both as workers and consumers, which contributes to their increased financial vulnerability in retirement. Social Security, from the beginning, has included features that partially offset the effects of workplace disadvantages. This legacy should be built upon by the enactment of the modest changes proposed in this white paper.

This paper outlines the following five key policy changes that would help to build upon our Social Security system and help to make sure that it functions even better for women, same-sex spouses, and low-income people:

- 1 Ensure workers’ retirement security is not jeopardized when they must limit their time at their paid jobs or experience reduced earnings in order to care for loved ones by creating a caregiver credit for periods of time when a worker, while providing care, has no or low earnings.
- 2 Provide the opportunity for vulnerable students, whose deceased, disabled, or retired parents are no longer able to support them, to complete their education by restoring benefits through age 24 for those in post-secondary education programs.
- 3 Make Social Security benefits more accurately reflect the actual cost of living for

seniors by: 1) increasing benefits across the board; and 2) using a price index that accounts for seniors’ typical purchases (the Consumer Price Index for the Elderly or CPI-E) for calculating annual cost-of-living adjustments.

- 4 Provide the lowest-wage earners who have significant work and caregiving history with a guaranteed minimum benefit that is at least 125 percent of the federal poverty line.
- 5 Ensure that married same-sex couples and domestic partners (who are committed to each other but do not live in states that allow same-sex marriage) are entitled to the same family benefits under Social Security as married heterosexual couples.

These critical improvements will help to ensure that all workers including women, those in same-sex couples, and low-wage earners will have more adequate benefits and retirement security as they age.

Social Security is extremely popular among Americans, who overwhelmingly favor strengthening the program as opposed to cutting it. According to a recent survey, 84 percent of Americans believe the current benefit levels are not sufficient, 75 percent think we should raise benefits to provide a better retirement and 82 percent agree that preserving Social Security is necessary even if it means increasing taxes for all working Americans.<sup>4</sup>

Over the past few years there have been several key reports and initiatives calling for the expansion of Social Security benefits. Examples include *Plan for a New Future: The Impact of Social Security Reform on People of Color*, a Report of the Commission to Modernize Social Security; *Breaking the Social Security Glass Ceiling: A Proposal to Modernize Women’s Benefits*, by the National Committee to Preserve Social Security and Medicare Foundation, the National Organization for Women Foundation and the Institute



for Women’s Policy Research; and the National Academy of Social Insurance report, *Strengthening Social Security for Vulnerable Groups*.<sup>5</sup>

Several of the policy proposals we are recommending to expand Social Security have already been introduced during the 112<sup>th</sup> and the 113<sup>th</sup> Congresses. They include caregiver credits, using the CPI-E to calculate cost of living adjustments,

an across the board increase in benefits, providing benefits to same-sex couples and their families,<sup>6</sup> and enhancing the special minimum benefit.<sup>7</sup> The Older Women’s Economic Security Task Force and the Center for Community Change recommend that policymakers adopt these reforms in the 113<sup>th</sup> Congress.

## The Importance of Social Security to Financially Vulnerable Populations

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### WOMEN AND SOCIAL SECURITY

Although Social Security benefits are an important source of retirement income for all older Americans, they are particularly important to older women for a number of reasons. Women tend to have limited employment opportunities, lower wages, interrupted work histories, fewer sources of retirement income, and longer life expectancy, which result in their experiencing greater economic insecurity during retirement. Women’s participation in the labor force has grown substantially since the 1950s, yet many women still earn less and work less over the course of their lives than men.<sup>8</sup> As a result, many women receive lower wage-related Social Security benefits than men. In 2012, the average annual Social Security income received by women 65 years and older was \$11,999, compared with \$16,295 for men.<sup>9</sup>

Women not only earn less and receive lower Social Security benefits than men; they are less likely to receive benefits from pensions as well, due to the occupation or industries they’ve worked in, the number of hours worked, the amount of time spent out of the workforce, and movement between jobs.<sup>10</sup> Even when women do have pension income, the amount is smaller than men’s.<sup>11</sup>

Women tend to outlive men, meaning they’re living longer on less. Women who reach age 65 live an average of 2.1 years longer than men.<sup>12</sup> Women also have more chronic health problems than men, resulting in larger out-of-pocket health care costs and greater use of long-term care.<sup>13</sup> Long-term care in particular can be very expensive for women, due to their longevity and the fact that such care is often not covered by Medicare and most other insurance programs.<sup>14</sup>

Women’s economic security in later life is also affected by family structure and marriage/divorce patterns. Differences between women and men in life expectancy – and the fact that women tend to marry older men – mean that more women than men will no longer be married either by the time they reach retirement age or at some time during their retirement years. For the same reason women will have fewer options regarding remarriage than men. Marriage and divorce patterns are also changing – divorce rates have increased over the past few decades, and many adults are forgoing marriage altogether. In 2010, approximately 27 percent of men aged 65 and older were unmarried (widowed, divorced, separated or never married), compared with nearly 57 percent of women in the same age group.<sup>15</sup>

## OUR SOCIAL SECURITY SYSTEM: HOW DOES IT WORK?

Workers are generally eligible for Social Security benefits when they have worked under covered employment and earned 40 quarters of coverage (now also called credits). Social Security provides monthly benefits to qualified retired and disabled workers, their qualified family members, and qualified survivors of deceased workers. Workers earn eligibility for Social Security benefits by contributing to the system through mandatory contributions on wages and salary income that are matched by employers at an equal rate. These contributions are known by the acronym "FICA," for the authorizing legislation, the Federal Insurance Contributions Act; the current FICA rate is 6.2 percent each for employers and employees, for Social Security's old age, survivors, and disability insurance protection. The self-employed pay the combined worker and employer FICA rate. In 2013, the earnings on which payroll taxes are paid are limited to \$113,700. Earnings above that amount are not subject to FICA.

### RETIREMENT BENEFITS

Retiree worker benefits are calculated based on the 35 highest years of taxable earnings. The benefit formula replaces a higher percentage of earnings of low earners than of high earners. For an average worker, one earning about \$40,000 a year, benefits replace about 40 percent of earnings. When workers contribute to Social Security, they earn "credits" toward Social Security benefits. One credit is earned for a specific amount of annual wages. Workers can earn up to a maximum of four credits per year. In 2013, the value of earnings required to earn one credit is \$1,160, or \$4,640 per year at four credits. This amount changes yearly with average wage changes throughout the economy.

The normal or full retirement age (the age when full benefits are available) is in the process of increasing in stages from 65 to 67 for workers born in 1938 or later. The full retirement age is 66 for those born between 1943 and 1954, and 67 for those born in 1960 or later. The earliest age of eligibility for retiree worker benefits remains 62; benefits are reduced if taken before the normal retirement age. If taken at age 62, benefits will gradually decrease from the current level of 80 percent to 70 percent of full benefits as the higher normal retirement age is fully implemented in 2027. A Delayed Retirement Credit is added to benefits for every month benefits are delayed, up through age 70, if retirement is postponed beyond the normal age; the credit increases worker benefits 8 percent per year of delay.

Social Security also provides benefits to certain family members of workers who are eligible for retirement, disability, or survivor benefits, including spouses and minor children.

Married persons (and eligible divorced spouses) receive the larger of their own retired worker benefit or 50 percent of their (former) spouse's retired worker benefit (individuals eligible for both their own worker benefit and benefits through a spouse are known as "dually entitled"). In either case the benefit is reduced if taken between age 62 and normal retirement age. To be eligible for these benefits a divorced person must have been married to a covered worker for at least ten consecutive years and be currently not married.

Married (or eligible divorced) people who wait until normal retirement age may choose to accept spousal benefits at that time and delay receiving their own worker benefits until age 70, in order to take full advantage of Delayed Retirement Credits to their own worker benefit.

Widow(er)s (and eligible divorced spouses) are entitled to a survivor benefit equal to the deceased (ex)spouse's retired worker benefit (if it is larger than their own retired worker



benefit). The minimum age for widow(er)s for receiving the survivor benefit is 60, but the benefit is reduced if taken before the normal age. Widow(er) and surviving divorced spouse benefits remain payable if remarriage occurs after age 60 (50 if disabled). The spousal and survivor benefits are more generous to couples with unequal earnings than to those with total earnings that were more equally distributed between the members of the couple. A lifelong full-time homemaker receives a spousal benefit and survivor benefit based on the spouse's earnings, although s/he paid no contributions to receive these benefits. (It should be noted, though, that s/he will not be protected against disability since s/he has not contributed.) A spouse with low lifetime earnings may find that spousal benefits are larger than her or his own worker benefit, in which case the spousal benefit will pertain, but the contributions paid while working do not increase one's benefit over the homemaker's benefit at all (though they do provide disability insurance protection). On being widowed, surviving spouses receive the higher of the couple's two benefits. The surviving spouse in an equal-earner couple will simply retain his or her own benefit, and the deceased spouse's benefit will disappear. The surviving spouse in a homemaker/single-earner couple keeps two-thirds of the couple's combined benefits (equal to 100 percent of what the retired worker received, compared with the 150 percent the couple was receiving together).

Dependent children also receive family benefits when a parent or legal guardian retires.

## **DISABILITY BENEFITS**

Social Security pays disability benefits to people who cannot work because they have a medical condition that is expected to last at least one year or result in death. Benefits based on covered earnings are available for qualified disabled workers below normal retirement age.

To qualify to receive disability benefits, an individual has to meet a strict definition of disability, as defined by statute and determined by the Social Security Administration, and must have worked long enough – and recently enough – in jobs covered by Social Security. The number of work credits needed to qualify for disability benefits depends on the age at which a worker becomes disabled. Generally, a worker needs 40 credits, 20 of which were earned in the last 10 years ending with the year the worker became disabled. However, younger workers may qualify with fewer credits. For example, workers who become disabled at age 50 may qualify if they have earned 28 credits, with at least 20 of them earned in the 10 years immediately before becoming disabled.

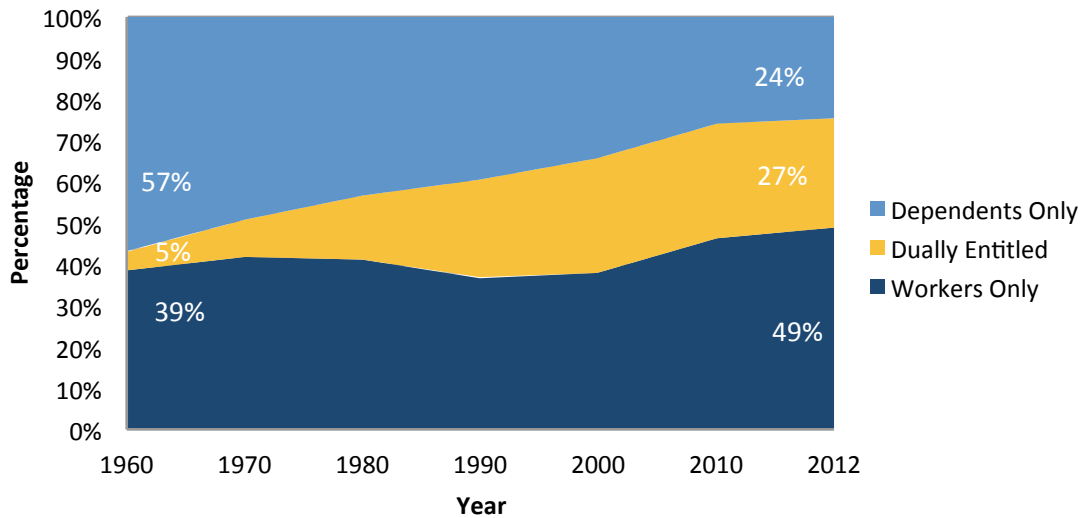
Certain family members may qualify to receive benefits based on the disabled worker's record. Spouses may qualify if they are 62 or older or if they are caring for a child of the worker's that is under the age of 16 or disabled. So may unmarried children under the age of 18 (or 19 if still in high school). An unmarried child over the age of 18, who has a disability that started before age 22, may be eligible to receive benefits on a parent's earnings record.

Each family member may be eligible for a monthly benefit of up to 50 percent of a worker's disability rate. There is a limit, however, to the amount that can be paid to families. In general, the total amount a worker and her or his family members can receive is about 150 to 180 percent of the worker's disability benefits.

If disability continues, retired worker benefits begin at the normal age without actuarial reduction for early retirement.

All benefits are increased annually based on changes in the Consumer Price Index.

FIGURE 2: WOMEN'S ENTITLEMENT STATUS, 1960-2012  
(ALL WOMEN AGED 62 AND OLDER)



Source: Social Security Administration. 2013. Annual Statistical Supplement. Table 5.A14

Note: "Dually entitled" refers to women who are entitled to receive both worker benefits based on their own record and benefits based on their spouse's record.

At older ages the gender difference in marital status is even more marked. In the 75-to-84 age range, 28.1 percent of men are unmarried compared with 62.8 percent of women. At age 85 and older, the difference is even larger - 42.3 percent of men are unmarried compared with 82.4 percent for women.<sup>16</sup>

Women living alone, not surprisingly, have less income than married couples and their incomes are often not adequate to meet their needs. Thus, older single women experience more poverty than older married couples. Women who did not marry or whose marriages were short-lived due to divorce also lack access to spousal benefits, which for the typical married woman today are larger than her own worker benefits.<sup>17</sup> Figure 2 above shows changes in the ways women access Social Security benefits across the past 50 years. Although women have increased their access to Social Security through their own work records, the majority (51 percent) still use spousal benefits

either to increase their own worker benefits or as their only means of accessing Social Security benefits.

## PEOPLE OF COLOR AND SOCIAL SECURITY

People of color are more likely than whites to experience economic insecurity during retirement for a variety of reasons. Differences in educational attainment, employment discrimination and job segregation, poverty, morbidity, and mortality affect earnings and future retirement income, and have led to differences in use of Social Security. Survivor and disability benefits make up nearly half of the benefits received by people of color, while constituting a little more than a quarter of benefits for whites.<sup>18</sup>

Differences in employment patterns result in lower lifetime earnings and/or Social Security benefits for many retired people of color

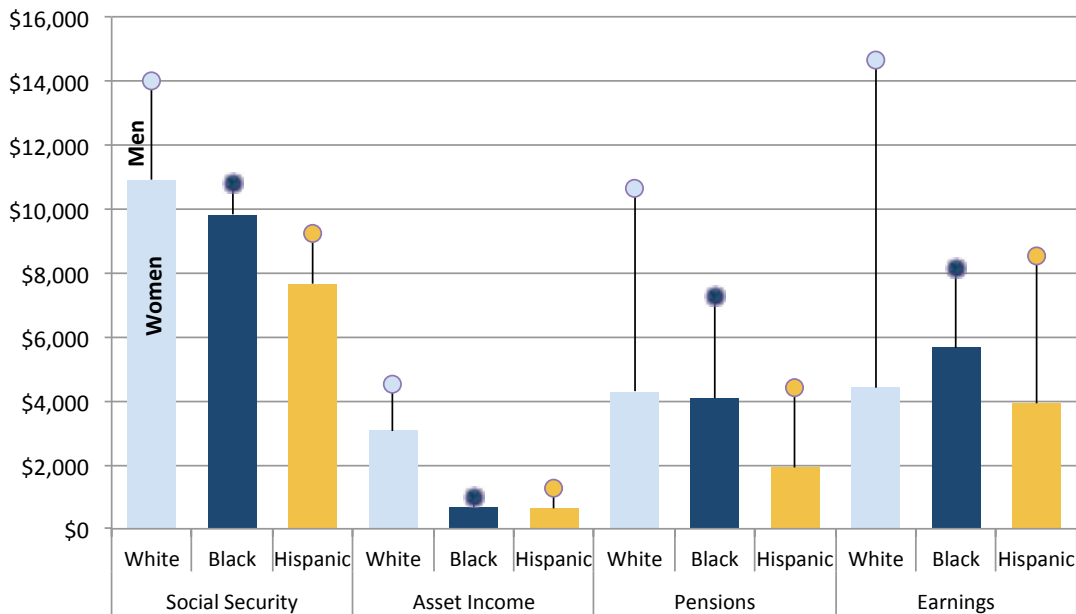
as well. Women of color are more likely to have worked in low-wage and part-time positions, making them more vulnerable to poverty and more reliant on Social Security because they have fewer other sources of retirement income.<sup>19</sup> African American, Latino, and Native American men experience higher rates of unemployment and lower wages than white and Asian men.<sup>20</sup> Latinos, who make up a large percentage of agricultural and household workers, are often disadvantaged by decisions that their employers make, such as inconsistent wage reporting, misclassifying employees as independent contractors, underpaying wages and/or paying wages in cash and not reporting them, all of which lead to the underpayment of Social Security contributions and a reduced lifetime earnings record.<sup>21</sup>

As seen in Figure 3, racial disparities in the amount of income received from earnings, pensions, and assets are substantial, with Blacks

and Hispanics receiving less than whites from every source. These disparities leave seniors of color more reliant on Social Security than white seniors (Figure 4).

Women of color are greatly affected by changes in marriage and divorce patterns that impact their economic security in retirement. Among women age 55 and older, African American women are the least likely to have ever been married.<sup>22</sup> When they do marry, women of color tend to marry men of color, who often have lower earnings than whites.<sup>23</sup> Married African American women are also more likely to have worked throughout their married years than white women. White and African American women have similar divorce rates, though the latter are much less likely to remarry and are more likely to experience widowhood.<sup>24</sup> While African American women (and children) benefit from disability and survivor benefits earned by

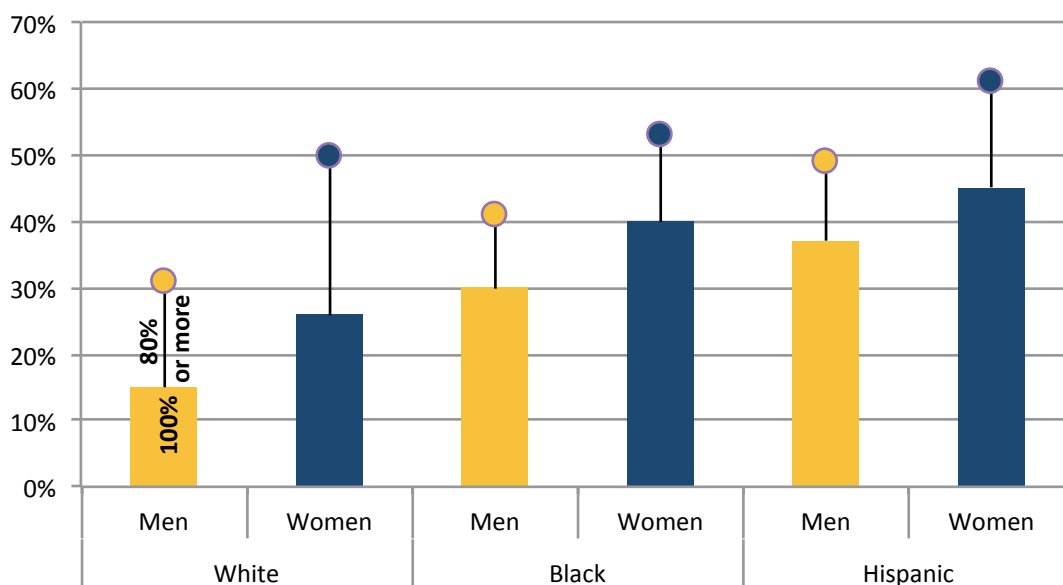
**FIGURE 3: SOURCES OF INCOME UPON RETIREMENT BY RACE, ETHNICITY, AND GENDER, 2011**



Source: Fischer, Jocelyn and Jeff Hayes. 2013. "The Importance of Social Security In the Incomes of Older Americans." Washington, DC: Institute for Women's Policy Research.

Note: These data are for Social Security Beneficiaries aged 65 and older.

FIGURE 4: RELIANCE ON SOCIAL SECURITY FOR 80% OR 100% OF INCOME, 2011



Source: Fischer, Jocelyn and Jeff Hayes. 2013. "The Importance of Social Security In the Incomes of Older Americans." Washington, DC: Institute for Women's Policy Research.  
 Note: These data are for Social Security beneficiaries aged 65 and older.

their husbands (and parents), African American women are less well served by some of the family provisions of Social Security because of their high rate of singleness and more equal earnings among couples.

## LGBT AND SOCIAL SECURITY

In 2030, according to National Gay and Lesbian Task Force projections, 72 million Americans will be over the age of 65, including between 3.6 and 7.2 million LGBT individuals.<sup>25</sup> At the same time, more states are recognizing same-sex marriages. With the addition of Maine, Maryland, and Washington in November 2012 and Rhode Island, Delaware, and Minnesota in May 2013, 18 percent of Americans live in states (including the District of Columbia) that recognize same-sex marriage.<sup>26</sup> With the recent Supreme Court decision holding that California

Proposition 8 is unconstitutional, this share rises to 30 percent;<sup>27</sup> if states that provide similar levels of protection for domestic partnerships as for opposite sex marriage are counted, four in ten Americans (41 percent) live in a state recognizing the mutual responsibilities for care and support of families headed by same-sex and opposite-sex couples.<sup>28</sup> Our Social Security system should be expanded to insure all families in the event of the death, injury, or retirement of working spouses.

Social Security reform for same-sex couples becomes all the more necessary when taking into account that, due to past discrimination in the workplace, LGBT individuals have a much higher risk of poverty than heterosexual people.<sup>29</sup> Typically earning lower lifetime incomes, more than 80 percent of LGBT households also report raising children,<sup>30</sup> suggesting that LGBT households incur living costs similar to those

of heterosexual households. LGBT women are just as likely as heterosexual women to care for children,<sup>31</sup> indicating that expanding coverage of Social Security survivor, spousal, and death benefits to LGBT families would greatly aid them.

In June 2013, the United States Supreme Court held that section three of the Defense of Marriage Act is unconstitutional. As a result, same-sex spouses who live in a state that legally recognizes their marriage are eligible for Social Security survivor and spousal benefits when their spouse has earned disability and survivor insurance protection. Children of same-sex couples are now also eligible for benefits from

their parent's same-sex partner in states where their parents' marriage is recognized. While this is an enormous gain for same-sex couples in states where their marriages are recognized, same-sex couples who do not live in a state that recognizes same-sex marriage may still be ineligible for these benefits. This discrimination prevents the spouses and domestic partners of LGBT individuals who have worked and paid into the Social Security system during the course of their lifetimes from receiving benefits for which heterosexual spouses of workers would qualify.

## Proposed Improvements to Our Social Security System

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### ADD A CAREGIVER CREDIT

Caregiving is a fundamental part of family life and a vital service to young children, millions of ill and disabled individuals, and a growing number of elderly Americans. For the estimated 65.7 million unpaid caregivers for the disabled and elderly, who spend an average of 4.6 years out of the labor market during their peak working years, providing caregiving services often produces significant economic stress.<sup>32</sup> The long-term negative financial impact of that lost time is especially significant for low-income families and for women, who often take on the caregiving role. Most caregivers (61 percent) provide their services in addition to working in paid wage or salary jobs.

With caregiving consuming an average of 20 hours per week, many families must decide how best to balance paid employment and caregiving responsibilities. This is particularly true for low-income families, who often cannot afford the costs of childcare or professional long-

term care options such as in-home attendants or nursing homes.<sup>33</sup> In addition to the economic costs, balancing full-time work and part-time caregiving comes at a health cost: one study found that of caregivers with less than \$30,000 in household income, 34 percent report fair or poor health as compared with 3 percent of caregivers with incomes of \$100,000 or more.<sup>34</sup>

Women in particular are negatively affected by the economic costs of caregiving. Women make up the majority (about 66 percent) of the people who provide unpaid caregiver services, and thus have fewer years on average than men in the paid workforce. Combined with the challenge of persistently lower wages due to sex discrimination, this large block of lost income-earning time means significantly lower lifetime earnings and savings overall.<sup>35</sup> When not taking time out of the workforce, female caregivers are more likely than males to use alternative work arrangements such as taking more flexible or part-time jobs, which often entail losing job-related benefits as well as earnings.

The formula used to calculate Social Security benefits (based on the 35 highest earning years) means that workers who take time out of the workforce or reduce their paid work hours to provide care for someone receive fewer Social Security benefits upon retirement. If the worker has fewer than 35 years of earnings, years of zero earnings are included among the 35 averaged years, which brings down the lifetime average, in turn lowering the benefit amount that will be paid to the worker. Women, who are more often caregivers, average only 32 years in the workforce compared with men, who average 42, and their benefits reflect this difference as well

as their generally lower earnings each year they work. In 2012, the average annual Social Security income received by women 65 years and older was \$11,999, compared with \$16,295 for men.<sup>36</sup>

As the country's elderly population continues to grow and professional care costs continue to rise, the need for informal caregiving will intensify. Currently, 13 percent of the American population is 65 or older and that share is expected to grow to 20 percent (or 72 million people) by the year 2030. Additionally, as life expectancy grows, the number of people age 85 or older is expected to more than triple from 5.7 million to 19 million by the year 2050.<sup>37</sup>

## SARA MOORE

Sara will be 80 years old next year. She lives in Chicago, Illinois. Sara worked her whole life, starting out as a waitress in her teens in her hometown of Petersburg, Illinois. She then went on to work in administration for the Illinois Humane Society and Onward House for about ten years. After that she worked at a company that made jukeboxes for three years and then a law firm for about ten years, and later worked as a Certified Nursing Assistant. Over the course of her lifetime, Sara took time out of the paid workforce twice to care for family members. The first time was to stay home with her two children when they were infants. Later on, after her father had several strokes, she became his primary caretaker and ended up taking 10 years out of the paid workforce to care for him. While Sara was taking care of her father in the late 1970s and early 1980s, they lived on just \$300 a month – her father's Social Security check.

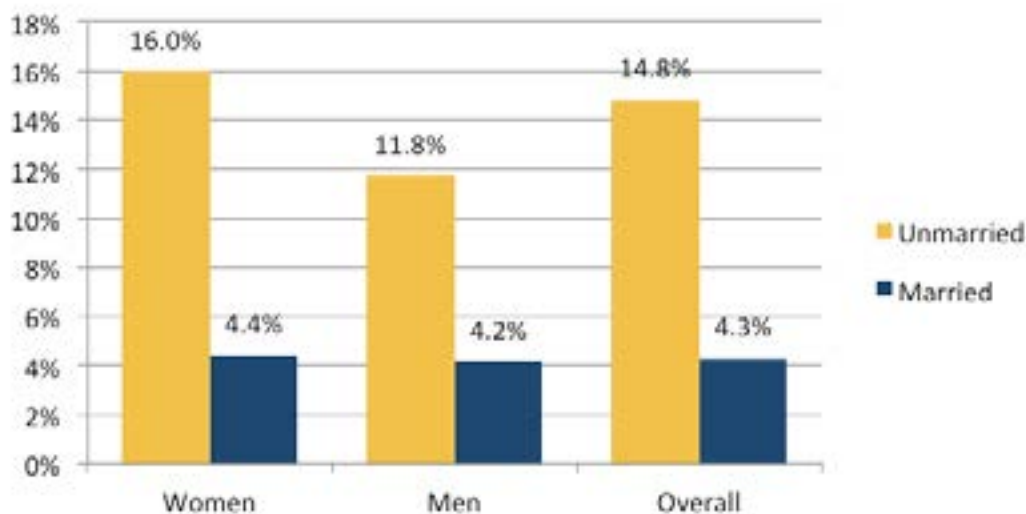
After her father passed away in 1987, Sara became a paid caregiver with a homecare agency that worked with AIDS patients. She went on to get a certificate as a Certified Nursing Assistant (CNA). This work was very rewarding, very challenging, and very low-paid. She worked for several years taking care of AIDS patients, until the end of her career when she got cancer and could no longer work.

Despite spending over thirty years in the paid workforce, and being the primary unpaid caregiver for her ailing father and her children, Sara now receives a Social Security benefit that is just \$953 dollars a month, or a meager \$11,436 a year, leaving her Social Security benefits below the poverty line for 2013 (\$11,490 for a single individual). Sara was married for seven years, and therefore does not receive a spousal benefit. It is very hard for Sara to make it on her Social Security benefits, her main source of income. Without support from her two children and food from the Lakeview Pantry and Catholic Charities, she does not know how she would make it through. As is, she can rarely buy fresh vegetables and fresh fruit, which she loves; and she never buys steak or candy bars, which she cannot afford.





FIGURE 5: POVERTY FOR WOMEN AND MEN AGED 65 AND OLDER BY MARITAL STATUS



Source: IWPR analysis of 2012 Current Population Survey Annual Social and Economic Supplement.  
Note: Married includes married, spouses absent.

Social Security’s family benefits – those provided to spouses and qualifying children of retired, disabled, and deceased workers – have become more available since first introduced in 1939, especially by the addition of benefits for the spouses of disabled workers and for formerly married spouses. Social Security, unlike public pension systems in other OECD countries, however, does not provide credits for caregivers. Thus, in the United States, unpaid caregivers are compensated in retirement only if they were married at least 10 years or are widowed or currently married, which leads to some caregivers receiving relatively generous benefits while others receive no compensation for their caregiving labor.<sup>38</sup>

Discrepancies in poverty rates between men and women and between married and unmarried individuals, along with changes in marriage/divorce rates and family structure, highlight the need for caregiver credits to help close the gap in poverty rates and modernize the system.

Indeed, in many countries that provide credits for caregiving, the primary goal is to improve benefit adequacy for women and thereby reduce their poverty rate.<sup>39</sup>

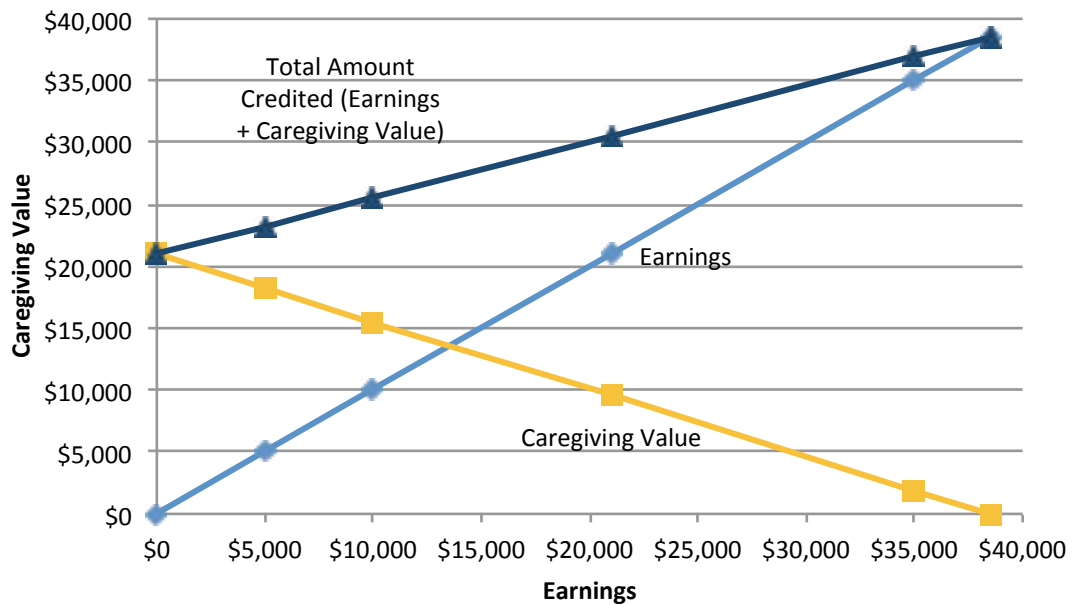
In addition to increasing benefits for women (or men) who provide caregiving to children, the disabled, or the elderly outside marriage, caregiving credits can help equal-earning spouses (who also receive little by way of Social Security’s spousal benefits) receive higher benefits because of time spent giving care. Such help would be available to members of gay and lesbian couples as well, whether their relationship is legally recognized or not.

Researchers at the Institute for Women’s Policy Research have noted a wide variety of objectives among countries’ caregiver credit programs, including prevention and alleviation of poverty, raising women’s employment levels, encouraging higher birth rates, and improving gender equality, all of which would affect how a caregiver credit is designed.<sup>40</sup>

TABLE 1: DOLLAR AMOUNTS FOR A PROPOSED NEW CAREGIVING CREDIT FOR SOCIAL SECURITY

Earnings	Value of Caregiving Credited	Total Amount Credited (Earnings + Caregiving Value)
\$0	\$21,000	\$21,000
\$5,000	\$18,273	\$23,273
\$10,000	\$15,545	\$25,545
\$21,000	\$9,545	\$30,545
\$35,000	\$1,909	\$36,909
\$38,500	\$0	\$38,500

FIGURE 6: ILLUSTRATION OF CREDIT AMOUNTS IN RELATION TO EARNINGS AND PROPOSED NEW CAREGIVING CREDITS FOR SOCIAL SECURITY



Source: Hartmann, Heidi and Jeff Hayes. "What a Caregiving Credit Could Look Like." Institute for Women's Policy Research.

Regardless of how a caregiving credit is designed and implemented, however, it is imperative that our society recognizes the value of these services and the difficult trade-offs they present, especially for women and for

low-income families. Adding a caregiver credit assigns an economic value to the essential caregiving services provided by individuals to their children, spouses, parents, grandparents, and/or other family members, while mitigating the

long-term disadvantages that an individual accrues because she or he reduces paid work time in order to provide care.

What could a caregiving credit look like? It could provide an earnings credit for every year with a child under 6 (available to both parents and/or non-married partners or single parents who live with the child), a disabled family member, or a senior in need of care, in which a caregiver earns less than a set maximum (for example, \$38,500, which is approximately the average worker's earnings in 2010). A caregiving credit could reward work effort so that earners have somewhat more money on their records than non-earners. In the example shown here, the size of the credit phases out from a maximum of \$21,000 (a value equal to approximately half of average earnings) at \$0 earnings to \$0 of credit at \$38,500 in earnings, so that recipients would receive an earnings credit of \$21,000 per year if they earned nothing through paid work.

This proposed caregiving credit provides the most benefits to lower earners and those who do not work at all while caregiving, but also rewards those who combine earning and caregiving. Credits such as these, when added to the regular earnings of workers, will serve to increase the retirement benefits from Social Security of those who have had to reduce their earnings because of providing caregiving.

**Proposal:** *Ensure workers' retirement security is not jeopardized when they have to care for loved ones by creating a caregiver credit in Social Security for periods of time when a worker had no or reduced earnings because of caregiving responsibilities.*

## RESTORE STUDENT BENEFITS

Higher education increases workers' opportunity to achieve economic security and social mobility, and is a critical step along the path toward

achieving the American Dream. Education produces a skilled, productive workforce and an engaged, participatory democracy. Unfortunately, postsecondary educational attainment remains a faraway dream for many young, low- and middle-income Americans, who face the reality of falling household incomes, rising tuition bills, and the prospect of daunting student debt.

With private and federal financial student aid falling in comparison to rising tuition, a family's income is often the primary determinant of whether or not a student will be able to go on to postsecondary education. For students with a parent or primary provider who is retired, disabled, or deceased, the financial barriers to postsecondary education are even greater. Our Social Security system steps in when a parent dies, becomes disabled, or grows old and retires from work. It is the sensible candidate for distributing benefits to such young people, and did so until 1981, when the student benefits were terminated, after more than 15 years of providing effective support to low-income youth and youth of color.

In the wake of the Great Recession, postsecondary educational attainment is more important than ever. Those with a high school diploma or less make up a disproportionate percentage of the unemployed population.<sup>41</sup> Many of the jobs available that do not require postsecondary education do not pay a living wage, even with a full-time schedule. The "college wage premium"—or the earnings gap between those who have a college degree and those who have only a high school degree—is far higher today than it was when students' benefits were terminated in 1981, and it continues to grow. Between 1981 and 2007, the earnings gap between male college graduates and male high school graduates increased from 22 to 44 percent; for women, the gap increased from 28 to 49 percent.<sup>42</sup> In 2012, individuals who held at least a bachelor's degree had median weekly earnings of \$1,066, while those who had graduated from

## CHARLCIE JONES

Charlcie was born and raised in Nashville, Tennessee. She lived with her mother, Theodora Etter, who had a passion for cooking and spent her career as a chef. In 2008, when Charlcie was only 14 years old, her mother tragically passed away from breast cancer. Charlcie went to live with her father. She received Survivor Benefits of \$1,310 per month, which helped her father to care for her through her high school years. Since her father was a low-wage worker, these benefits were essential for taking care of Charlcie and making sure her needs were met.



Charlcie was a solid high school student. In her senior year, she applied and was accepted to the University of Tennessee in Knoxville, where she planned to major in pre-law. Unfortunately, when Charlcie graduated from high school in 2012, her Survivor Benefits ended. Although Charlcie was paying in-state tuition, had financial aid, and received some scholarships, it was not enough to cover all of the costs associated with college (the University of Tennessee estimates that the total cost of attendance per year for an in-state student is over \$25,000).

Charlcie was determined to go to college, and she attended for one year, but was unable to afford to continue. She is back at home this semester working for a security company on the night shift. She is determined to save enough money to return to school next semester. If Charlcie's survivor benefits had continued while she attended college, she would still be enrolled in the University of Tennessee today, pursuing the education needed for her chosen career.

high school but had not gone to college had median weekly earnings of \$652, a difference of 49 percent.<sup>43</sup>

The value of a college degree has nearly doubled since 1970, in terms of future earnings, but the number of students from low-income families graduating from college is not keeping pace. The percentage of low-income college students graduating by age 24 grew by only 2.1 percentage points between 1970 and 2009, from 6.2 percent to 8.3 percent. Among students from families in the highest income quartile, the graduation rate surged by 42.2 percentage points, doubling from 40.2 percent to 82.4 percent.<sup>44</sup>

There is also a clear gap in educational attainment by race and socioeconomic status. In 2012, among Americans aged 25 to 29, just 23 percent of African-Americans and 15 percent of Hispanics had a bachelor's degree or higher,

compared to 40 percent of whites.<sup>45</sup> These attainment gaps mean that thousands of bright students are being left behind, negatively affecting not only their families and futures but also the potential competitiveness of the U.S. workforce overall.

Sources of financial aid for low-income students are dwindling, particularly at public universities. After adjusting for inflation, a year's tuition, room and board in public four-year institutions has more than doubled since 1979, reaching about \$17,860 in 2012.<sup>46</sup> The average Pell Grant today will only cover 10% of the average cost of room, board and tuition at private four-year institutions, and 20% of these costs at public four-year institutions. Thirty years ago, the average Pell Grant would have covered 20% and 40% of these costs, respectively.<sup>47</sup> The other primary sources of financial

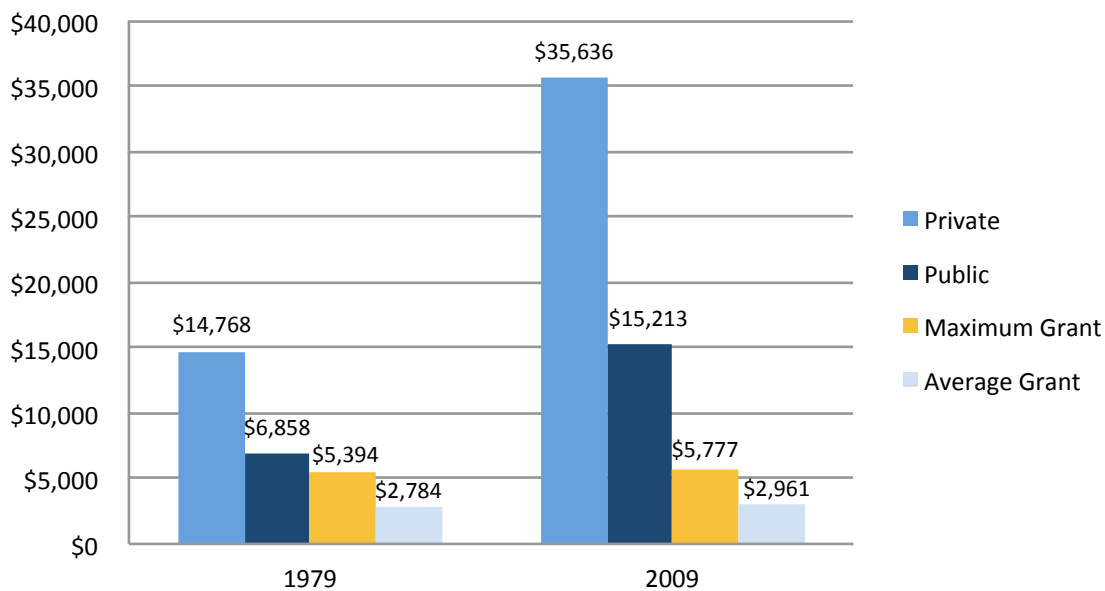
aid are scholarships coming directly from the educational institution. These have not kept up with college costs either, and have shifted away from a need-based approach towards a “merit”-based approach that favors students from more affluent backgrounds. As a result, from 1995 to 2003 total financial aid to students with family incomes below \$20,000 grew only 50 percent, while total aid to students with family incomes over \$100,000 increased 277 percent.<sup>48</sup>

Because a college degree has become a *de facto* necessity to enter or remain in the ranks of the middle class, student loans have become a fact of life for students looking to make up the difference between dwindling aid and skyrocketing tuitions. Between 2009 and 2012, total student debt nearly tripled.<sup>49</sup> The average amount of student loan debt for the Class of 2011 was \$26,600. This represents a substantial drag on

new graduates before they have even earned their first paycheck after graduation.<sup>50</sup>

In the past, some of these financial and accessibility issues were eased by student benefits from our Social Security system. Children whose parents retired, died, or were disabled could receive benefits until the age of 22, providing them with financial assistance if they chose to pursue higher or vocational education. In the peak year of 1977, nearly 900,000 students were receiving these benefits, which went primarily to children of parents with blue-collar jobs, African Americans, and students with lower incomes.<sup>51</sup> The 1976 Social Security Administration (SSA) survey of the program found that 36 percent of the students enrolled in college and 54 percent of those in community college or vocational schools reported that they could not afford to stay in school without their Social Security benefits.

**FIGURE 7: MAXIMUM AND AVERAGE PELL GRANT AND AVERAGE COST OF TUITION, ROOM, AND BOARD AT FOUR-YEAR PRIVATE AND PUBLIC INSTITUTIONS, 1979 AND 2009 (CONSTANT 2009 DOLLARS)**



Source: Hertel-Fernandez, A. 2010. “A New Deal for Young Adults: Social Security Benefits for Post-Secondary School Students.” Washington, DC: National Academy of Social Insurance.

Unfortunately, postsecondary student benefits were phased out in 1981 under President Reagan as part of the Budget Reconciliation Act, due to concerns about administrative errors and the financial solvency of our Social Security system.

Currently, children of a working parent who has died, been disabled, or retired are eligible to receive Social Security benefits until their 18<sup>th</sup> birthday (or 19<sup>th</sup> if still in high school). The average monthly benefit for a 17-year-old beneficiary in 2012 was \$852 for children of deceased parents, \$410 for children of disabled parents, and \$665 for children of retired workers.<sup>52</sup> In recognition of the vital importance and rising cost of a college degree, these benefits should be extended through the age of 24 to a student in postsecondary education. Although the original program provided benefits through the age of 22, the average age of students completing their bachelor's today is 24, so it is appropriate to extend the age. Age 24 is also the cutoff for most other federal educational aid programs.

The student benefits program was an effective and valuable support for college-aged students whose families were in challenging circumstances. The two principal reasons cited in 1981 for the benefit elimination — administrative challenge and a Social Security shortfall — are much less relevant today.

In the past, the difficulty of verifying student enrollment and eligibility for the benefit often caused overpayment errors. Today, vast improvements in electronic student verification through tools like the Free Application for Federal Student Aid (FAFSA) — which is required for nearly all schools — effectively address such concerns.

The cost of reinstating student benefits would be minimal relative to the economic and social value of the benefits. Although we do not have a revised cost estimate for providing student benefits for students through age 24, the Social

Security Administration (SSA) estimated that if benefits were reinstated for students through age 22, it would cost about 0.07 percent of taxable payroll over the 75-year actuarial horizon.<sup>53</sup>

Given the positive impact of student benefits, the importance of obtaining a college degree in today's labor market, the increasing cost of higher education, and the decreased availability of student aid, it is imperative that vulnerable students have access to any and all resources, including Social Security benefits, that can facilitate their access to higher education.

**Proposal:** *Extend Social Security children's benefits to vulnerable students whose parents have died, become disabled or retired in order to enable them to complete their education by restoring benefits through age 24 for those participating in postsecondary education.*

## **ENSURE BENEFITS ACCURATELY REFLECT THE TRUE COST OF LIVING FOR SENIORS BY INCREASING BENEFITS ACROSS THE BOARD AND MAKING SURE THE ANNUAL COST OF LIVING ADJUSTMENT IS BASED ON SENIOR SPENDING PATTERNS**

Social Security is the bedrock of financial security for millions of Americans; without it, nearly half of all seniors would be poor.<sup>54</sup> Half of American workers have no retirement plan through their employers and, among those with 401(k) defined contribution pension plans, the median balance of these accounts is less than \$30,000.<sup>55</sup> As stock market losses and stagnating wages have made it harder and harder for workers to save for retirement, Social Security has become increasingly important for millions of Americans. Yet for many, Social Security benefits fall short of what is needed to make



## RITA LOBERGER

Rita is 72 years old and lives in Tigard, Oregon. She has three children. When they were young, she took time out of the paid work force to take care of them. When they were grown up, she went to work at Pinnacle Risk Management Services for 10 years. Rita originally started working in the filing department, but injured herself moving large tax file storage boxes. After her injury, she transferred to the data entry department. Her husband Frank also worked at Pinnacle and was planning on retiring at age 65; but due to illness, he had to stop working at age 62. When they both retired, Rita's monthly check was \$588 and Frank's was \$1,239. Starting in May of 2013, Frank's health began to significantly deteriorate. He passed away in July of 2013.

Now Rita is receiving a benefit of \$1,589, on which she lives. Although she has a small 401(k) which helps her with expenses, Rita is hardly making ends meet. She lives in a manufactured home park community; and while she owns her home, she has to pay \$700 per month in rent for the lot it sits on.



ends meet. This problem will only worsen as the value of Social Security benefits slowly diminishes, as the result of already enacted cuts to Social Security; the replacement rate for lifetime earnings is expected to drop to 39 percent of median household income for those retiring in the mid-2020s, a steep decline from 50 percent of median household income for those retiring in the mid-1990s.<sup>56</sup> By 2030, the income replacement rate will fall to 32 percent of previous income, due in part to a legislated increase to 67 years for full benefits.<sup>57</sup>

Ensuring that benefits are adequate and their value does not erode over time is particularly important for low-income seniors, who often do not have other sources of retirement income and are extremely vulnerable to ending up in poverty in their old age.

In response to increasing reliance on Social Security benefits in the wake of growing retirement insecurity, and the slow erosion of the value of current benefits, it is time to: 1) increase benefits across the board and 2) use a more accurate measure to determine the annual cost of living benefit increase, moving forward.

### **INCREASE BENEFITS ACROSS THE BOARD**

An immediate across-the-board increase would help bring benefits up to date, particularly for lifetime low-wage earners, women, and other vulnerable groups. Based on May 2012 average benefits, a 5 percent increase would bring annual payments up from \$14,400 to \$15,120. In other words, the average beneficiary would receive an additional \$55 per month.<sup>58</sup> If a \$55-per-month benefit were paid as a lump sum to everyone, this adjustment would raise benefits proportionally more for those at the low end of the income distribution than it would for those at the high end of the income distribution. This change would cost about 0.75 percent of taxable payroll over 75 years.<sup>59</sup>

### **MAKE SURE BENEFITS KEEP PACE WITH THE RISING COST OF LIVING**

In order to ensure that Social Security's benefits do not erode over time, as beneficiaries age and spend savings, the annual cost of living adjustment (COLA) must use a consumer price index that accurately reflects the spending patterns of older Americans. The current measure of infla-

tion that is used to determine the annual COLA, the CPI-W, is not based on seniors' unique spending patterns, which differ from those of other households. One key difference in senior spending patterns is that seniors have higher spending on health care, and health care costs have risen faster than prices for other goods and services for more than three decades. For example, monthly premiums for Medicare Part B have more than doubled since 2000, increasing from \$45.50 to \$104.90 in 2013. Social Security's annual COLA has not kept pace. The Medicare trustees estimate the average premiums from Medicare Part B and Part D will be equivalent to 11% of the average Social Security benefit in 2013, and is estimated to increase to 19% in 2087.<sup>60</sup>

In recognition of the unique needs of seniors, Congress directed the Bureau of Labor Statistics to develop an index that reflects the unique spending patterns of seniors. In response, the BLS created a new, "experimental" CPI in 1987 that places more weight on health care costs and more closely reflects the spending of people with disabilities. This index – known as the CPI-E – is gaining more and more attention as the burden of medical costs increasingly weighs on the pocketbooks of seniors.

A COLA that better reflects the true cost of health care for seniors is particularly important to low-income beneficiaries. Research shows that poorer beneficiaries have higher out-of-pocket health care costs relative to their incomes, often due to the physical demands of low-wage work and poor environmental conditions — a trend that will continue to worsen as medical costs rise.<sup>61</sup> Seniors in the bottom fifth of the income distribution currently spend a median of 21 percent of their income on health care. Over the next 30 years, that income share will rise to 39 percent. High health care costs have a significant impact on groups of older Americans who have higher poverty rates on

average, such as women, African Americans, and Latinas/Latinos.<sup>62</sup> According to a 2009 AARP report, older women spent between 32 and 40 percent of their annual income on healthcare, whereas men spent on average between 23 and 35 percent.<sup>63</sup>

The SSA estimates that the CPI-E will rise about 0.2 percentage points per year faster than the CPI-W, the current price index. This would yield a monthly benefit that is about 6% higher by the time a retiree reaches age 92. If the CPI-E switch were implemented today, a 92 year-old retiree who is in the "low lifetime earner" category (average annual wages of \$19,354) would see a nominal increase in monthly benefits of about \$53 under the CPI-E cost-of-living calculation,<sup>64</sup> which could cover a full week of groceries each and every month.<sup>65</sup> (Because it is a more accurate measure of costs, the CPI-E would provide no increase in real terms, of course.)

**Proposal:** *Increase benefits uniformly by 5 percent of average payment and calculate annual cost of living adjustments using the CPI-E so that benefits more accurately reflect the actual cost of living for seniors.*

## INCREASE THE SPECIAL MINIMUM BENEFIT

Social Security benefits are tied to a worker's earnings over the course of their working lives, and as a result persistent low wages lead to lower benefits in retirement. Workers in low-wage jobs also often experience unemployment, take time out of the workforce, or reduce their hours to provide care for a child or family member, and thus face further reductions in benefits upon retirement. Though Social Security benefits replace a higher percentage of the earnings of low lifetime earners, current benefits alone are not enough to assure that all

recipients remain above the poverty line. For example, an individual who worked steadily at the federal minimum wage and retires at age 62 would receive Social Security benefits at about three-quarters of the poverty rate.<sup>66</sup>

Many seniors find themselves in poverty in retirement because they were in or near poverty throughout their working lives, and are less likely to have private pensions or savings, so they are more reliant on Social Security. As Figure 8 shows, African Americans, Latinos, and Asian Americans experience senior poverty at over twice the rate that whites do. They are more likely to depend on Social Security for 90-100 percent of their family income (see Figure 4).<sup>67</sup> Women face higher poverty rates than men across all racial groups (see Figure 5).<sup>68</sup> People of color are also much more likely to have chronic health problems and disabilities, which means even greater medical cost pressures.<sup>69</sup>

In 1972, a “special minimum benefit” provision was added to our Social Security system to improve benefit adequacy for long-term low-wage workers, and it took effect in 1973. The special minimum benefit is based on a different formula for calculating benefits than the regular Primary Insurance Amount (PIA) formula, and it requires a minimum of 10 years with earnings in Social Security covered employment above a certain threshold in order for a worker to be eligible. If a worker has earnings in a particular year that fall below the threshold for a “year of coverage” the worker cannot earn credit for that year. In 2012, the threshold for a year of coverage was \$12,285.<sup>70</sup>

Workers receive the special minimum benefit only if the benefits are higher under the special minimum benefit formula than under the regular PIA formula. Because the value of the regular PIA formula (which is indexed

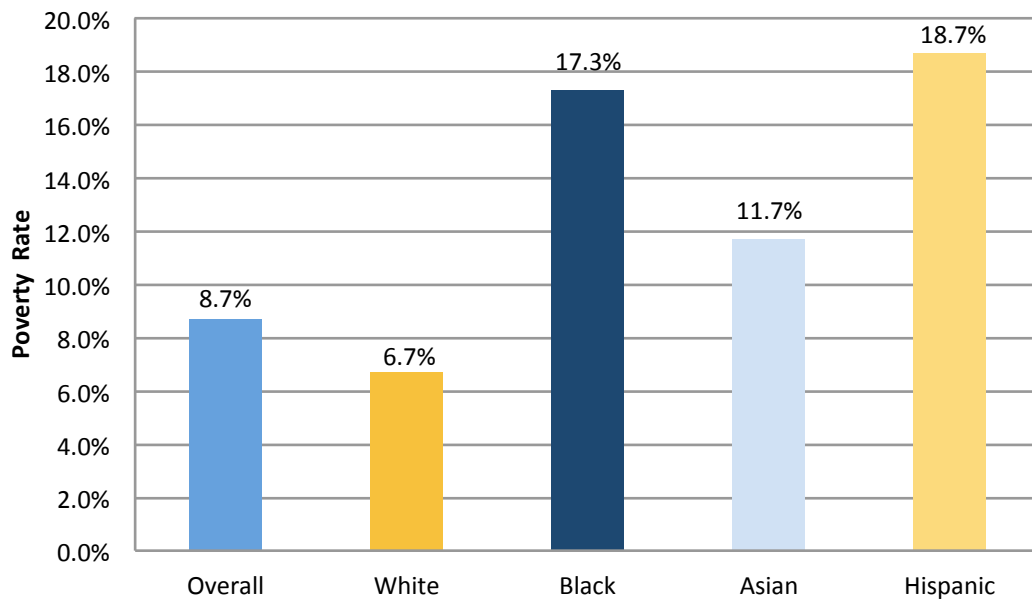
## HATTIE WILKINS

Hattie is 63 years old. She lives in Youngstown, Ohio, where she was born and raised. She worked for 35 years at Brentwood Originals, a pillow factory in Youngstown, as a machine operator. When she started at Brentwood in 1973, Hattie made \$1.75 per hour; and after 35 years she was making \$11 dollars per hour. Hattie received health insurance through her job and had savings, which have been exhausted since she stopped working a few years ago at the factory. After she left the factory, she struggled to find work, and started collecting Social Security at age 62.

Since Hattie has no savings, she is entirely reliant on Social Security, but her benefit is below the poverty line at \$876 dollars per month. Hattie also receives food stamps and visits food pantries so that she can get vegetables, since her food stamps are insufficient to cover her food budget. Every month is a struggle for Hattie. She needs to juggle her bills so she can afford to put gas in her car. She occasionally makes pastries and pies to sell at the farmers’ market for extra money. Despite having worked hard her whole life, Hattie faces a very insecure retirement, and is now starting to study social work so she can help people and continue to work and earn an income. Hattie is also actively organizing in her community to protect Social Security and to strengthen it.



FIGURE 8: AVERAGE POVERTY RATES FOR SENIORS BY RACE/ETHNICITY, 2011



Source: Department of Health and Human Services, Administration on Aging. 2012. A Profile of Older Americans: 2012  
Note: These data are for those aged 65 and older.

to wages) has gone up faster than the special minimum benefit formula (which is indexed to inflation), fewer and fewer retirees receive the special minimum benefit. For example, in 2000, about 142,000 workers received the special minimum benefit, while in 2010 the number of people receiving the benefit had fallen to a meager 76,000.<sup>71</sup> The special minimum benefit is now on the verge of disappearing entirely. In addition to reaching too few retirees, the special minimum benefit does not keep beneficiaries out of poverty. For example, in 2012, the maximum special minimum benefit for a retiree with 30 years of covered earnings was \$9,487.20 annually, lower than the official poverty line.

Workers with a full career at low pay, including caregiving years, should not have to face poverty or worse when they retire. The special minimum benefit should be updated so that it does not disappear and it provides benefits that

are robust enough to lift long term low wage earners out of poverty in retirement.

We recommend that the special minimum benefit be updated so that it provides benefits at full retirement age that are at least 125 percent of the poverty line for those with thirty years of paid work including caregiving. In addition, the threshold for establishing a year of coverage should be lowered so that more low-wage workers can be covered. These increases would provide vital support to elders who experience disproportionately higher rates of poverty, such as single women and people of color.

**Proposal:** *Provide the lowest wage earners who have significant work history with a guaranteed minimum benefit that is at least 125 percent of the federal poverty line, while allowing for up to ten family caregiving years of credit toward the computation of the benefit.*

## PROVIDE EQUAL ACCESS FOR LGBT FAMILIES

Social Security should be expanded to ensure that all families receive family benefits in the event of the death, injury, or retirement of a worker. While many LGBT families will now be eligible for Social Security spousal and family benefits, there are still many who will not qualify because they do not live in a state that recognizes same-sex marriages. Since eligibility for spousal or family benefits is currently determined by the laws of the state in which they reside, same-sex couples who are legally married in one state become ineligible for benefits if they move to a state that does not recognize their marriage. Not all federal agencies use the state of residence to determine eligibility. For example, the Internal Revenue Service (IRS)

will consider individuals to be married if the marriage was valid in the state where it was entered into, even if the couple moves to a state that does not recognize the validity of their marriage. Determining eligibility for same-sex spouses should be modeled after the IRS eligibility process to ensure that all LGBT couples who are legally married will be able to rely on the economic support from Social Security no matter where they live.

Additionally, spousal and family benefits should be extended to include all same-sex domestic partnerships. While Social Security law does allow eligibility for spousal benefits for those who live in a state whose laws state you can inherit personal property without a will (as would a “wife” or “husband”), all same-sex domestic partnerships should be viewed the same as marriage for the purpose of determining

### MAUREEN HENNESSEY

Maureen Hennessey and Mary Beth McIntyre met and fell in love in 1984. They committed to each other and spent the next 29 years raising three children, Maureen working as a teacher and Mary Beth as an entrepreneur, and contributing to their Philadelphia community.

In 2009, Mary Beth was diagnosed with terminal cancer. Maureen left her job to care for Mary Beth full-time. As Mary Beth and Maureen tried to treasure their last months together, they also worried about Maureen’s financial health after Mary Beth was gone.

Because their marriage is not recognized in Pennsylvania, Maureen must pay a 15 percent inheritance tax on half of their shared property, including their home. And unless their marriage is recognized in Pennsylvania before Maureen turns 65, Maureen will not be eligible to receive Mary Beth’s Social Security benefits. Pennsylvania’s refusal to recognize her marriage to Mary Beth does more than cause Maureen economic hardship. In her time of grief, she is denied the comfort and dignity of being acknowledged as Mary Beth’s widow.

Mary Beth died in May 2013, and Maureen’s economic situation is still in limbo.<sup>1</sup>



<sup>1</sup>ACLU. “Whitewood v. Corbett: Plaintiff Profiles.” <<https://www.aclu.org/lgbt-rights/whitewood-v-corbett-plaintiff-profiles#hurdle>>



eligibility for family and spousal benefits. Furthermore, same-sex couples who would enter into marriages or domestic partnerships if they lived in states that recognize the arrangements should be considered married for purposes of Social Security.

**Proposal:** *Include same-sex domestic partnerships as equal to marriages for states that recognize domestic partnerships, but not same sex marriage, and adopt the “place of marriage” standard for determining eligibility so that all couples who have been legally married are eligible for benefits no matter what state they live in. Committed same-sex couples who have no access to marriage or domestic partnerships should be imputed as married.*

## Paying for Improvements, Helping to Solve Solvency Issues

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Social Security is current-funded. Any excess of income over benefits paid is held in trust and invested in interest-bearing obligations of the United States. Social Security has three sources of income. It is primarily financed through dedicated mandatory contributions on wages. Employers and employees each pay 6.2 percent of wages up to a maximum earnings level of \$113,700 (in 2013), while the self-employed pay 12.4 percent. A second source of income is interest generated on its accumulated surplus, which currently equals about \$2.7 trillion dollars. The third source is revenue generated from subjecting benefits to the federal income tax and dedicating that revenue to Social Security. Every year, Social Security’s Board of Trustees reports to Congress the program’s projected spending and revenues for the subsequent 75 years. Using a moderate rate of future economic growth as well as dozens of other economic and demographic assumptions, the system’s Trustees have projected that Social Security can pay all benefits in full and on time through 2033. After 2033, income is projected to be sufficient to pay about three-quarters of scheduled benefits through 2086 (the end of the 75-year period) and beyond. In order to pay for the improvements suggested in this report and eliminate the projected long-term solvency shortfall, the Older Women’s

Economic Security Task Force and the Center for Community Change propose policies to ensure a full employment economy and “scrapping the cap” so that everyone pays the same tax rate for Social Security.

### MAKE SURE EVERYONE PAYS A FAIR SHARE OF SOCIAL SECURITY CONTRIBUTIONS

Right now, there is a cap on the amount of wages that are subject to Social Security contributions; this should be changed so that all wages are subject to Social Security contributions. In 2013, only earnings up to \$113,700 are subjected to Social Security contributions and counted toward workers’ future Social Security benefits. The cap is indexed to keep pace with growth in the average earnings of workers. Prior to indexing the maximum, Congress stated the explicit goal of covering 90 percent of the aggregate wages of all workers under the maximum. Currently, however, the cap covers approximately 83 percent of aggregate earnings, due to more rapid growth in the earnings of those at the top of the economic ladder in recent decades.<sup>72</sup>

Eliminating the cap and applying Social Security contributions to all earnings would help pay for an expansion of benefits and substan-



tially eliminate Social Security's projected long-term solvency shortfall. Options for eliminating the cap include the following: 1) eliminate the cap and do not count additional earnings toward benefits, 2) eliminate the cap and count all earnings toward benefits, 3) eliminate the cap and count all earnings toward benefits with a more progressive formula.

Eliminating the cap and not counting additional earnings toward benefits would pay for the proposed expansion of benefits and significantly reduce the 75-year shortfall. With this change, workers who earn more than the current tax cap would pay more in taxes, while their maximum benefit would be no higher than under current law.

Eliminating the cap and counting earnings toward benefits would pay for the proposed expansion of benefits and reduce the 75-year shortfall by a little less than half. High earners and their employers would pay considerably more, but these top earners would also receive more in benefits.

Eliminating the cap and counting earnings toward benefits with a more progressive formula would pay for the proposed expansion of benefits and reduce the 75-year shortfall by more than half. This option would avoid paying very high Social Security benefits to high earners while retaining the traditional link between earnings and benefits.<sup>73</sup>

We recommend the third option, eliminating the cap and counting all earnings toward benefits with a more progressive formula, as an additional way to pay for the benefit expansions proposed in this paper and contribute to solving the long-term funding gap. Different proposals phase in the increase in the earnings in different ways.<sup>74</sup>

An additional way to ensure that all workers pay contributions on all their earnings is to make sure that health savings accounts and other vehicles that allow workers to use pre-

income taxed earnings are assessed for Social Security contributions.

## **ACHIEVE FULL EMPLOYMENT AND BROADLY SHARED PROSPERITY**

The Great Recession resulted in a dramatic rise in unemployment, from which the United States has yet to fully recover. One way to help pay for improvements and close the Social Security long range financing shortfall is to pursue full-employment fiscal and monetary policies and a pro-worker agenda, including raising the minimum wage and strengthening collective bargaining rights. Such policies would have multiple positive effects on Social Security's long-term finances: raising real wages, reducing the share of earnings above the cap, and lowering the beneficiary-to-worker ratio, among others.

According to the 2012 Social Security trustees' report, productivity growth has averaged 2.06 percent per year in the last complete business cycle (2000-07), 1.75 percent in the previous cycle (1989-2000), and 1.68 percent in all cycles since 1966. The trustees report also provides a "low-cost" alternative scenario for their 75-year projection, which is intended to be optimistic but plausible, estimating that wage growth of 1.71 percent rather than 1.12 percent would reduce the projected shortfall by 34 percent. Successful and much needed efforts to lower unemployment, raise wages, and connect wage growth more closely to past and future growth in productivity would have a substantial beneficial effect on Social Security financing.

## **ENACT COMPREHENSIVE IMMIGRATION REFORM**

Comprehensive immigration reform will strengthen Social Security and extend the sol-

veny of the program while guaranteeing that millions of currently undocumented workers would gain access to Social Security benefits and the added economic security this would entail. There are currently 11 million undocumented workers in the United States. They make substantial contributions to our Social Security system through payroll taxes, yet they and their children are ineligible to receive benefits.<sup>75</sup>

Comprehensive immigration reform would lead to higher wages for workers who are currently undocumented, which would increase overall Social Security contributions. Additionally, immigrants are disproportionately young, and would provide favorable demographics to a Social Security System that increasingly supports an aging population; 59 percent of immigrants are between 25 and 44 years old.<sup>76</sup> Increasing the share of younger workers would strengthen Social Security.

## ADDITIONAL REVENUE SOURCES

As needed, in combination with full employment strategies and lifting the cap, there are a number of other revenue sources that might be pursued to enhance Social Security to make it fully solvent over the next 75 years and to

pay for the benefit improvements we describe above.

These measures might include:

- ▶ Applying the current Social Security contribution rate to unearned income such as capital gains and dividends;
- ▶ Expanding the federal estate tax and dedicating a portion to be contributed to the Social Security Trust Fund;
- ▶ Increasing the current Social Security contribution rate by a modest amount to be phased in over an extended period of time;
- ▶ Enacting a financial speculations tax, with proceeds dedicated to Social Security;
- ▶ Enacting a new marginal income tax rate for adjusted gross income in excess of \$1 million and dedicating the proceeds to Social Security.

Social Security is a bedrock program that provides financial security to American workers and their families. We cannot afford not to invest adequate revenue to preserve and improve it so that it can continue to meet our needs throughout the 21<sup>st</sup> century and beyond.

## Conclusion

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Despite the significant social, political, and economic changes that have expanded opportunities for women and people of color, these populations still remain disproportionately financially vulnerable, particularly during their retirement years. Women, on average, make less and work fewer hours than men. They often face limited employment opportunities and experience interrupted work histories. They have fewer sources of retirement income, and longer life expectancy, all of which results in women experiencing greater economic insecurity during retirement.

People of color are also financially vulnerable during retirement due to a number of factors, including differences in educational attainment, employment discrimination and job segregation, morbidity, and mortality, which affect lifetime earnings, future retirement income, and survivor benefits.

Many same-sex couples will continue to be denied the family benefits that are available from Social Security to married heterosexual couples,

further increasing the economic disadvantages already experienced by same-sex couples.

Furthermore, the risk of inadequate retirement income has increased for all Americans, making Social Security an even larger portion of future retirement income. Because many Americans find themselves dealing with the aftereffects of an economic recession that devastated their retirement savings and the value of their homes, the changes proposed above, including an across-the-board benefit increase, can contribute to improving the adequacy of retirement income for all who receive Social Security benefits.

Our Social Security system is a critical piece of the retirement puzzle, and is essential to women, people of color, and low-income individuals. The improvements proposed in this report will help ensure that our Social Security system remains the foundation upon which economic security is built for all Americans and will make it even stronger for those who most depend on it.

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