Social Security Reform Options and Their Implications for Women

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Comments on options for Social Security reform and implications for women.

Introductory comments:

Women are a diverse group. Families are also a diverse group. Taxes and benefits under the current structure reflect the fact that Social Security is an insurance system. Benefits are relatively more generous for single-earner families when compared with benefits for single persons and dual-earner families. Lower income workers with the same family structure have relatively more generous benefits (when compared to their income) than higher income workers.

None of the changes directly affect individual men and women differently, but the different distribution of men and women by income level and family status means that overall there are different effects on men and women. It should be noted that in the aggregate, women, particularly unmarried women, are more dependent on social security than men. Individuals with less wealth are much more dependent on Social Security than those with more wealth. Unmarried elderly individuals are more dependent than couples. Most of the options are likely to have somewhat greater importance to women, simply because they are more dependent on Social Security.

The comments here focus on what subgroups might be more affected by a change.

Options and costs are as stated in the ADSS handout. The ADSS handout indicates that costs are supplied by the Social Security actuaries. These estimates are shown in *italics* below. Not all of the options reduce costs. Some are proposals for change which would add cost.

Special issues with regard to widowhood

Women suffer a decline in economic well-being at time of widowhood. It has been estimated that a single person needs about 75 percent of the combined income of the couple. In addition, if one of the members of a couple requires assistance due to disability or illness, it is very likely that the healthier member of the couple can provide help. In contrast, when an unmarried individual needs help, they are much more likely to need paid help. The following table shows an estimated number of elderly individuals by sex, marital and disability status. Data is also estimated for Number with Paid Helpers by marital status. The group most likely to have paid helpers are unmarried women.

Estimated Number of Persons Over Age 65 - By Disability Status
(Numbers in thousands)

	Married	Not Married
Male		
Not disabled	9,145	2,563
Disabled	1,429	839
Total	10,574	3,402
Female		
Not disabled	6,797	8,028
Disabled	1,192	4,028
Total	7,989	12,056
Grand Total	18,563	15,458
Number with Paid Helpers	823	2,649

The source for this data is Table 8 from a paper by Eric Stallard, "Retirement and Health: Estimates and Projections of Acute and Long-Term Care Needs and Expenditures of the U.S. Elderly Population" which was presented in December, 1998 at a symposium on Retirement Needs sponsored by the Society of Actuaries. Mr. Stallard is with the Center for Demographic Studies at Duke University. His analysis shows that unmarried females are the persons most likely to use paid helpers to support their disability. About one-third of unmarried females over age 65 have some disability.

Further, under the current structure, elderly widows, particularly those who were part of two-earner families are likely to be poor or near poor, and have a major reduction in benefits at the time of widowhood. The same issue applies to men, but most of the people affected are women. For an example, if a family with both spouses age 65, earnings of $34,200 in 1998 and a single earner, retires and the husband dies, the widow will get about $1,075 a month. In contrast, in a family with the same earnings, but with the husband and wife each earning $17,100, the widow will get about $675 a month. In the first family, the benefit while both were alive was higher, and the widow gets two-thirds of the combined family benefit. In the second family, the benefit is lower while both are living, and the widow gets only half of the combined family benefit. Options to improve the status of widows and to remedy this problem need to be considered as part of Social Security reform. The solution recommended by the last Advisory Council was to increase widow's benefits to 75 percent of the combined benefit of the couple. This is shown as Option 15.

Option	**Discussion of Issues Relative to Women**
1. <ins>Retirement Age - Increase in retirement age at which one can receive full benefits</ins> *Under current law, the retirement age has been increased to 67 for those retiring in 2027. Accelerating this increase to age 67 in the year 2016 would eliminate 5 percent of Social*	Women live longer than men, and many experts believe that arguments relating to the logic of increasing retirement age are powerful. Increasing the retirement age for full benefits is a form of benefit reduction. To the extent that women rely on Social Security

Security's long-term deficit. A further increase to age 68 in the year 2040 would solve 18 percent of the problem, and a further increase in indexing to age 70 would eliminate 22 percent of the long-term deficit.	more than men, they are going to be more affected by retirement age changes. The differences in life span have continued since the Social Security system started. For some women, retirement decisions are timed to their husband's decisions, and in some cases, it is illness that encourages retirement. For some such women, increasing the retirement age would create a hardship. (Note: that as life spans continue to increase, this issue will remain on the table, and while difficult, it a very important one to address.) Please note that the American Academy of Actuaries has released an Issue Brief on retirement age changes. Is it included in the materials being distributed.

Option	Discussion of Issues Relative to Women
2. Cost-of-Living Adjustment (COLA) *A reduction in the cost-of-living adjustment of 1 percentage point below the Consumer Price Index (CPI) beginning in 2000 would eliminate 65 percent of Social Security's long-term deficit. If the cost-of-living adjustment is reduced by .5 percent below the CPI in 2000, 34 percent of the problems would be solved.*	The impact of making such a change would be greatest on people who live longer. Widows, particularly in two-earner families, are already poorly off, but that situation should be dealt with directly.
3. Benefit reductions *An immediate across-the-board benefit reduction of 3 percent would eliminate 16 percent of Social Security's long-term deficit. If benefits were reduced by 5 percent, 27 percent of the deficit would be eliminated.*	To the extent that women overall are less well off in old age, this would have a greater impact on them.
4. Reduce benefits for high income beneficiaries - reduce benefits for those whose incomes exceed a certain threshold	Women will be less impacted than men in the aggregate because of their earnings patterns.
5. Increase the number of years to calculate benefits *A gradual increase in the computation years from 35 to 38 would eliminate about 11 percent of Social Security's long-term deficit. The same gradual increase from 35 to 40 years would eliminate 19 percent of the deficit.*	As indicated in the ADSS paper, women would be particularly impacted because they are likely to leave the work force for a number of years for care giving. Social Security could allow 5 drop-out years for care giving. Social Security already has the mechanism to do that in the disability benefits area.
6. Payroll tax rates: Increase the payroll tax rate *Currently, Social Security has a long-term deficit of 2.19 percent of taxable payroll. If taxes were increased by 1.15 percent on employers and employees, Social Security would see savings of 2.2 percent of taxable payroll and remain in balance over the next 75 years.*	There are no direct issues for women. However, if a tax increase has an economic impact on workers, it could have a disparate impact depending on the changes in the economy.
7. Increase in amount of earnings subject to payroll tax	This has less impact on women than men, because fewer of them are high earners.

Option	**Discussion of Issues Relative to Women**
8. Tax Social Security like a private pension	There are no special issues for women.
9. Cover all new workers hired by state and local government *Extending coverage to all State and Local government employees hired after January 1, 2000 would eliminate about 10 percent of Social Security's long-term deficit.*	There are no special issues for women.
10. Investment of trust fund assets in the private market	There are no special issues for women.
11. Individual accounts	A system built on individual accounts in contrast to the current insurance system would hurt the most vulnerable, many of whom are women. Individual accounts could hurt more women, depending on how the accounts are structured. Different specific proposals for individual accounts will have very different implications for women. For example, the Cato Institute's study proposes earnings sharing, so that homemakers would have benefits through this route. Individual accounts without some form of earnings sharing or substantial minimum benefits would be devastating to women without adequate earnings of their own. See separate paper on this topic.
12. Supplemental individual accounts	If mandatory, such accounts would , on the surface, benefit all workers. However, many workers already contribute to retirement programs, such as 401(k) plans, Tax-Sheltered Annuities, and Individual Retirement Accounts. In such cases, the supplemental account may simply be a substitution for the current plan. Employees of small business have the least pension coverage, and would be helped more than employees of large organizations. There are relatively more women

	employed by small businesses. If voluntary, it is hard to say who might be helped.

Option	Discussion of Issues Relative to Women
13. Use budget surplus to help Social Security indirectly	There are no special issues for women.
14. Use budget surplus for retirement accounts	There are no special issues for women.
15. Change the structure of family benefits *Reducing dependent spouse benefits from 50 percent to 33 percent and increasing survivor benefits to 75 percent of the couple's combined benefit adds 7 percent to the existing long term deficit*.	This change will reduce the retirement benefits of single earner couples by 11% while both are alive, and will not change their spouse benefits. It will not change the retirement benefits of equal earning dual earner couples while both are alive, but will increase the widow's benefits of these couples by 50%. These are the couples who currently have much lower widow's benefits relative to the single earner couple. In the example cited above, the single earner family would still have a widow's benefit of about $1,075 per month, but the dual earner family would not have a widow's benefit of about $1,010 vs. $675 under the current law. This brings the dual earner benefit up to a level much closer to the single earner family. Other dual earner families would be affected less depending on the relative earnings levels of the two spouses.

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