

# Social Security: A Promise to American Workers and Families

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JOINT ECONOMIC COMMITTEE  
DEMOCRATS

U.S. Senator Martin Heinrich  
Ranking Member

## Social Security: A Promise to American Workers and Families

As life expectancy has increased over the past half century, Americans are living longer today during retirement than their parents did. Social Security is the economic backbone to millions of Americans, many of whom use it to better support themselves in retirement, and to millions of workers who have become disabled as well as their families. Social Security's support is proof that we are committed to protecting and supporting workers when they leave the job.

While there are clear benefits for individuals who receive Social Security checks, the economic benefits of these programs extend beyond just beneficiaries. Families benefit and rest easy when retired relatives can support themselves with their Social Security checks. Families of American workers know that when a disability leaves a breadwinner unable to work, there will be some financial support to mitigate that loss. Social Security has a broad reach that supports both beneficiaries and those family members closest to them. Without Social Security, the modern middle class would not be what it is today.

Today, Social Security supports millions of Americans every year. In 2014 alone, Social Security paid out \$848.5 billion in benefits to some 59 million beneficiaries, demonstrating the federal government's commitment to those whose working years are behind them.<sup>1</sup>

Social Security, however, is under attack. Proposals to cut benefits for working Americans stand to place an even heavier retirement burden onto families that already contribute enough. We must now reinforce our commitment to these values by modernizing and strengthening Social Security, while opposing disastrous proposals that would push many families into poverty. Working families need Congress to protect their access to this vital program.

### **Social Security's Roots in Early America**

The origins of today's Social Security program date back to the disability and survivor pensions awarded to veterans of the Union Army during and after the Civil War. As the generation of veterans who fought in the war reached an age at which they could no longer work to support themselves, Congress took action in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries to protect all honorably discharged Union veterans, and their dependents, from falling into poverty.

While Union Army pensions represented a new level of commitment on the federal government's part to bolstering the economic security of American workers and their families, the cohort to whom that promise had been made was dwindling by the 1910s and 20s. The success and popularity of the program, however, was causing more and more states to introduce pension systems of their own, this time extending the benefits more broadly to workers who had not served in the military and to their families.

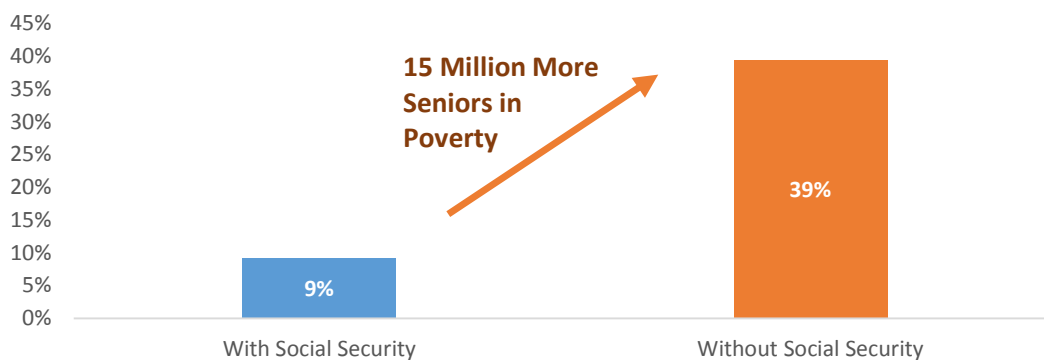
## Social Security is a Promise to American Workers

Our modern Social Security program began as a simple promise to the American people: economic security into old age. Social Security is a proven anti-poverty program that has laid the foundation for millions of American families, not just a fortunate few. The Social Security Act of 1935 established a national plan to provide economic security for many American workers.<sup>2</sup> Since then, the program has expanded to protect nearly all working people, individuals with disabilities, and dependents and survivors of deceased workers.

## Social Security Dramatically Reduces Poverty Across Demographic Lines

Without Social Security benefits, the elderly poverty rate would be over four times as high: approximately 40 percent of Americans aged 65 and older would have incomes below the poverty line, a dramatic increase from the nine percent of seniors currently under the poverty line. Eliminating Social Security would push 15 million seniors into poverty, many without retirement savings to support them. In fact, half of all American families near retirement have \$12,000 or less in formal retirement savings.<sup>3</sup>

### Without Social Security, Elderly Poverty Would Be Over 4 Times Higher



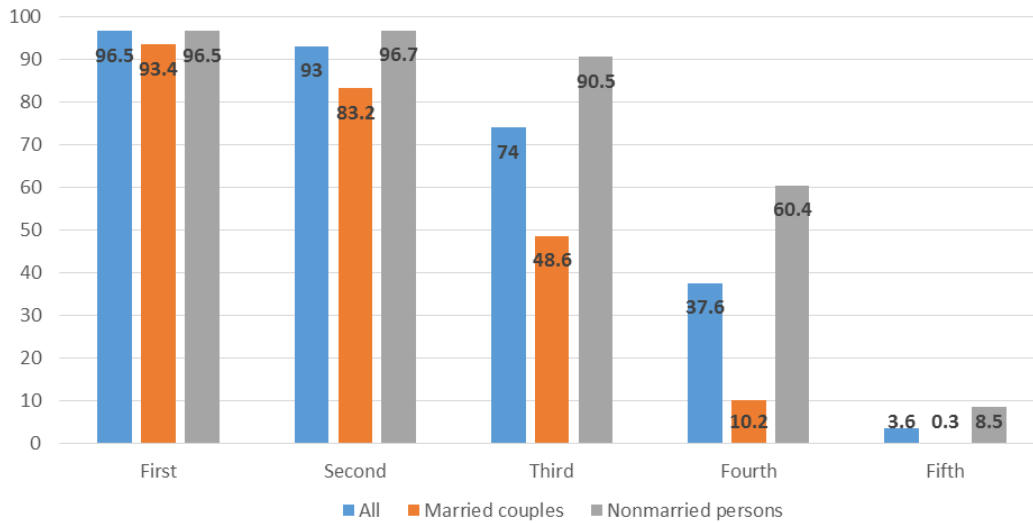
Source: JEC Democratic Staff analysis based on data from CPS ASEC 2017

Note: Poverty rates are for the official poverty measure

For 61 percent of elderly beneficiaries, Social Security provides the majority of their cash income. One in three elderly beneficiaries depend on Social Security for 90 percent or more of their income.<sup>4</sup> For millions of senior citizens, Social Security is a fundamental foundation for economic security during their retirement and the single source of income preventing poverty.

### Middle Class Benefits from Social Security

Percentage of Recipients for Whom Social Security is 50 Percent or More of Total Income, by Income Quintiles

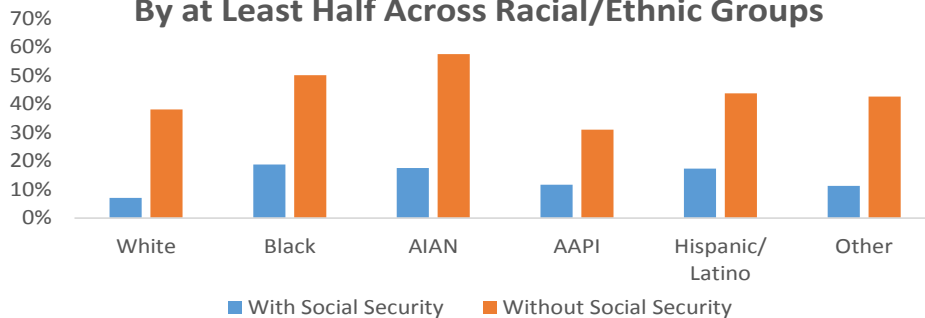


Source: Social Security Administration

Note: Total income includes Social Security, pensions, earnings, asset income, and other cash income. It does not include lump-sum pension payments, capital gains, noncash benefits (housing and energy subsidies), or savings. Quintile limits are \$13,499, \$23,592, \$39,298, and \$72,129 for all units; \$27,538, \$44,424, \$67,621, and \$108,703 for married couples; and \$10,859, \$16,552, \$24,400, and \$41,151 for nonmarried persons.

Eliminating Social Security would also have dire impacts on communities of color, women, and prior low-income earners. Among elderly communities of color, Social Security represents 90 percent or more of income for many—52 percent of Latinos, 45 percent of African Americans, and 41 percent of Asian Americans.<sup>5</sup> As the chart below highlights, Social Security lowers elderly poverty by at least half across all racial and ethnic groups, including American Indians and Alaska Natives, who see a reduction of elderly poverty of nearly 70 percent because of Social Security.

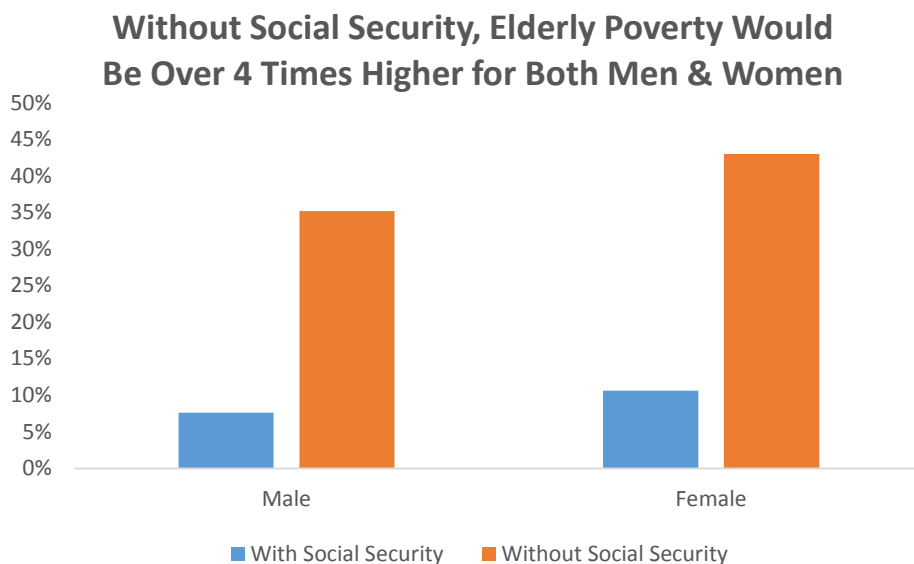
### Social Security Lowers Elderly Poverty By at Least Half Across Racial/Ethnic Groups



Source: JEC Democratic Staff analysis based on data from CPS ASEC 2017

Note: Poverty rates are for the official poverty measure. AIAN is American Indian and Alaska Native. AAPI is Asian American and Pacific Islander. White, Black, AIAN, and AAPI are non-Hispanic. Hispanic/Latino includes all races.

Women would be particularly burdened without Social Security, as many live longer than men and find themselves with smaller nest eggs due in part to the gender wage gap throughout working years.<sup>6</sup> Elderly women are 40 percent more likely than elderly men to be in poverty.<sup>7</sup> Because women live longer on average than men, Social Security is especially important for women, as the program's importance continues to grow as beneficiaries' age.



Source: JEC Democratic Staff analysis based on data from CPS ASEC 2017  
Note: Poverty rates are for the official poverty measure

## The Benefits of Social Security Reach Beyond Beneficiaries

The benefits of Social Security reach far beyond the beneficiaries themselves to help family members, communities, and the American economy.

When seniors can't afford to pay their living expenses, they depend on family members, charities, and other limited safety net options to make ends meet. By keeping more seniors out of poverty, Social Security relieves the pressure on families to support an elderly relative. Even with economic support that Social Security provides, many families still have to financially support their elderly relatives. In 2012, 21 percent of adults age 40 to 59 provided economic help for an elderly parent.<sup>8</sup> Other estimates show that a quarter of adults over age 50 provided economic support to a parent.<sup>9</sup>

Social Security also benefits children, both as beneficiaries and as individuals in homes supported by Social Security. An estimated 5.3 million children live in a household where a family member receives Social Security, and an additional 3.1 million children directly receive Social Security benefits.<sup>10</sup> In this way, Social Security helps to prevent the next generation from growing up in poverty.

## Coverage Expansions for Specific Populations

### Retired Workers

The first population to be covered under the Social Security program were retiring workers themselves. Coverage for retired workers was specified in the Social Security Act of 1935.<sup>11</sup> In 2017, retired workers made up 68 percent of all beneficiaries in current payment.<sup>12</sup>

### Spouses and Children of Retired Workers

Before monthly benefits had commenced, a set of amendments in 1939 extended benefits to the dependents of retired workers.<sup>13</sup> Spouses and minor children of retired workers were now entitled to receive benefits based on the worker's contributions. In 2017, 5 percent of Social Security beneficiaries were collecting benefits as the spouse or child of a retired worker.<sup>14</sup>

### Survivors of Deceased Workers

The 1939 amendments also added a life insurance benefit to Social Security. Surviving spouses and minor children of a prematurely deceased worker were now entitled to a benefit.<sup>15</sup> In 2017, 10 percent of beneficiaries were collecting as survivors of a deceased worker.<sup>16</sup> This program functions as life insurance for many working American families, covering 95 percent of workers age 20 to 49. For a young worker with average earnings and a 4 person family, this is the equivalent of a life insurance policy with a face value of \$674,000 in 2016. Almost 90 percent of people age 21 to 64 and who are in covered employment under Social Security Disability Insurance (SSDI) are insured in the event of a severe disability.<sup>17</sup>

### Disabled Workers and their Dependents

The SSDI program began with an amendment in 1954, which prevented periods of disability from reducing the benefit which a worker otherwise would have qualified for. In 1956, a further amendment introduced the first actual payments from SSDI, initially for disabled workers aged 50 to 64, and the disabled adult children of covered workers. Finally, in 1960, disability benefits were extended to workers of any age and their dependents.<sup>18</sup>

Social Security's Supplemental Security Income (SSI) program currently covers children with disabilities, one of the most vulnerable populations in our country. The program provides a monthly average benefit of \$650 to about 1.2 million children with disabilities.<sup>19</sup> It is particularly important for families with multiple children with disabilities as well.<sup>20</sup> This benefit is a powerful anti-poverty tool, lifting nearly 200,000 children with disabilities above 50 percent of the poverty line.<sup>21</sup> In 2017, 14 percent of beneficiaries were disabled workers, and 3 percent were spouses and children receiving disability insurance payments.<sup>22</sup>

## Impact on Larger Economy

The financial support provided by Social Security, and Supplemental Security Income (SSI), supplemental income for those who have low income and few resources and which is funded by Treasury general funds, has a large direct and indirect economic footprint. Social Security itself supports about \$1.4 trillion in goods and services to the American economy and accounting for over 9 million jobs nationwide.<sup>23</sup> The result is \$2 of positive economic output for every dollar of Social Security, and fewer elderly living in poverty.<sup>24</sup>

Cuts to benefits, as proposed by many Republicans, would have large negative impact not only on beneficiaries and their families but also on the American economy. In fact, reducing benefits by 25 percent across the board would cost the economy about \$349 billion in economic output, 2.3 million jobs, and roughly \$93 billion in employee compensation, among other losses.<sup>25</sup>

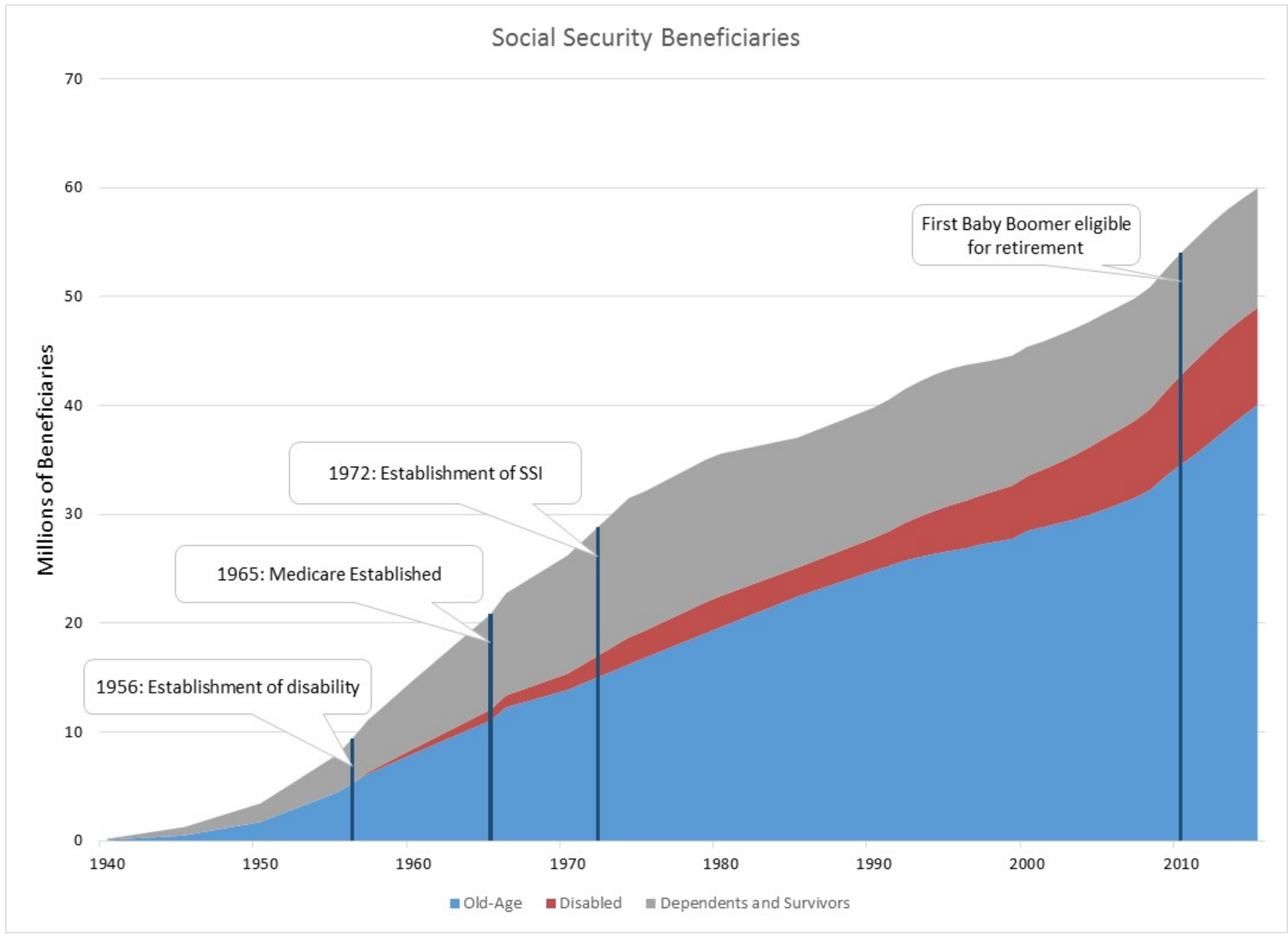
## Looking Forward

Social Security faces long-term threats to its continued existence, with many Republican efforts to break our government's promise to disabled and senior citizens by cutting benefits.<sup>26</sup> Despite the fact that SSDI and SSI are supposed to protect our nation's disabled workers and children, Republicans in Congress and in the White House are preparing to slash the program in the coming fiscal year. The president's FY2019 budget would cut \$72 billion from disability programs over the next 10 years, jeopardizing millions of American workers, children, and families.<sup>27</sup>

In addition to numerous cuts to SSI, the budget specifies over \$10 billion in cuts to SSDI retroactive payments. The budget assumes more than \$48 billion in net savings from "increased labor force participation" by those that would otherwise receive SSDI. Our American workers deserve better than what President Trump is preparing to do to this essential program.

Additionally, in the wake of the Republican tax overhaul, Speaker Paul Ryan and many other Republican leaders have reiterated the desire to cut benefits to those workers and their families who need them most, in particular those benefits for Social Security and Medicare beneficiaries.<sup>28</sup>

Cuts to Social Security affect people beyond those currently receiving benefits. When an elderly relative has her Social Security benefits cut, it is her close family that will step up to support her. For working families struggling to make ends meet, supporting another family member is a difficult but necessary financial undertaking. This cycle will continue for working Americans who will be forced to make do with a less generous Social Security check after a career of hard work. We must continue to make good on the American promise that we will provide for Americans who are no longer able to provide for themselves with Social Security. We must ensure that for coming generations a system exists that will continue this fundamental promise of the American dream.





### Social Security State-by-State Facts

State	# of Beneficiaries (thousands)			Total Expenditures (billions of \$)			Average Monthly Benefit (\$)			Without Social Security...	
	Total	Retired/ Survivors	Disabled	Total	Retired/ Survivors	Disabled	Total	Retired/ Survivors	Disabled	More Seniors in Poverty	% Increase in Senior Poverty
US	59,963	49,157	10,806	886	742.7	143.3	1,231	1,259	1,105	14,886,292	426%
AL	1,108.5	821.5	287.1	15.9	12.2	3.7	1,198	1,239	1,083	279,987	416%
AK	92.0	76.6	15.4	1.3	1.1	0.2	1,165	1,182	1,080	15,425	445%
AZ	1,241.1	1,053.2	187.9	18.7	16.1	2.6	1,256	1,276	1,147	322,339	338%
AR	679.7	506.5	173.2	9.5	7.3	2.2	1,160	1,203	1,035	174,850	472%
CA	5,651.6	4,819.1	832.5	82.6	71.0	11.6	1,217	1,227	1,158	1,368,869	319%
CO	813.3	686.8	126.4	12.1	10.3	1.7	1,237	1,255	1,136	208,676	458%
CT	659.2	561.0	98.2	10.8	9.4	1.4	1,364	1,400	1,160	141,692	472%
DE	196.7	164.3	32.4	3.1	2.7	0.5	1,328	1,355	1,191	37,364	414%
DC	80.5	64.1	16.4	1.1	0.9	0.2	1,146	1,176	1,030	16,216	200%
FL	4,334.3	3,657.9	676.4	63.9	54.9	9.1	1,229	1,250	1,119	1,338,808	457%
GA	1,714.1	1,365.5	348.6	24.9	20.3	4.6	1,212	1,241	1,099	458,844	400%
HI	256.9	229.3	27.6	3.8	3.4	0.4	1,229	1,240	1,138	57,229	404%
ID	315.6	261.2	54.3	4.5	3.8	0.7	1,196	1,225	1,055	81,667	582%
IL	2,174.9	1,826.3	348.6	33.3	28.6	4.7	1,277	1,306	1,129	499,454	369%
IN	1,301.9	1,047.3	254.6	20.1	16.7	3.4	1,288	1,332	1,104	255,137	327%
IA	622.9	529.5	93.4	9.3	8.1	1.2	1,247	1,281	1,056	125,322	762%
KS	528.2	437.5	90.7	8.1	6.9	1.2	1,271	1,310	1,079	158,245	534%
KY	963.5	710.4	253.1	13.6	10.3	3.3	1,172	1,208	1,074	296,396	498%
LA	868.0	672.3	195.7	12.0	9.5	2.5	1,151	1,182	1,045	215,618	327%
ME	329.6	257.8	71.8	4.6	3.7	0.9	1,151	1,186	1,024	90,953	703%
MD	952.3	797.0	155.3	14.8	12.7	2.2	1,297	1,324	1,160	226,622	558%
MA	1,236.2	984.0	252.2	18.6	15.3	3.3	1,257	1,298	1,096	251,482	436%
MI	2,141.8	1,711.8	430.1	33.8	27.9	5.9	1,314	1,357	1,141	436,371	531%
MN	979.8	826.8	152.9	15.0	13.0	2.0	1,274	1,306	1,097	288,223	717%
MS	647.4	485.3	162.2	8.9	6.9	2.0	1,150	1,185	1,043	180,695	424%
MO	1,258.3	992.2	266.1	18.4	14.9	3.5	1,218	1,255	1,081	317,943	435%
MT	217.8	184.8	33.0	3.1	2.7	0.4	1,176	1,198	1,054	68,472	595%
NE	330.3	279.5	50.8	4.9	4.3	0.6	1,236	1,271	1,046	105,679	549%
NV	492.1	415.0	77.1	7.3	6.2	1.1	1,230	1,241	1,172	137,773	411%
NH	288.9	227.7	61.2	4.5	3.7	0.8	1,287	1,339	1,093	69,420	577%
NJ	1,583.5	1,337.5	246.0	26.1	22.5	3.6	1,373	1,402	1,219	399,215	413%
NM	408.9	330.3	78.6	5.6	4.6	1.0	1,148	1,172	1,044	104,610	390%
NY	3,513.1	2,890.6	622.6	54.1	45.6	8.5	1,284	1,315	1,140	868,112	379%
NC	1,985.0	1,589.0	395.9	29.3	24.0	5.3	1,230	1,259	1,114	520,427	486%
ND	125.8	109.3	16.5	1.8	1.6	0.2	1,191	1,214	1,043	28,612	372%
OH	2,290.8	1,862.1	428.7	33.9	28.4	5.5	1,232	1,269	1,068	538,236	459%
OK	758.9	604.0	154.9	10.9	9.0	2.0	1,199	1,235	1,057	215,530	516%
OR	818.2	689.4	128.9	12.2	10.5	1.7	1,243	1,265	1,123	217,581	585%
PA	2,744.4	2,251.5	492.9	42.3	35.7	6.6	1,284	1,323	1,110	641,240	427%
RI	217.9	172.4	45.5	3.3	2.7	0.6	1,248	1,294	1,074	56,209	514%
SC	1,066.2	851.1	215.1	15.8	12.9	2.9	1,233	1,259	1,129	287,411	691%
SD	168.6	145.6	23.0	2.4	2.1	0.3	1,173	1,195	1,033	46,043	354%
TN	1,392.2	1,088.5	303.6	20.3	16.3	3.9	1,213	1,251	1,078	393,813	490%
TX	3,928.6	3,222.6	706.1	56.3	47.2	9.0	1,194	1,221	1,068	1,123,868	415%
UT	375.7	315.8	59.9	5.6	4.8	0.8	1,239	1,270	1,075	86,695	408%
VT	142.8	115.2	27.6	2.1	1.8	0.3	1,225	1,271	1,033	38,234	647%
VA	1,443.1	1,185.7	257.5	21.7	18.3	3.4	1,256	1,286	1,115	354,830	449%
WA	1,260.5	1,047.3	213.2	19.4	16.5	2.9	1,282	1,313	1,132	317,714	491%
WV	468.1	355.6	112.6	6.8	5.3	1.5	1,218	1,248	1,122	123,165	554%
WI	1,170.7	974.0	196.7	17.9	15.3	2.6	1,271	1,308	1,091	273,346	502%
WY	103.7	88.0	15.7	1.6	1.4	0.2	1,254	1,280	1,108	25,633	441%

Source: JEC Democratic Staff analysis based on data from the 2015 Social Security Trustees Report and 2017 CPS ASEC

Note: Poverty refers to official poverty measure. "Retired/Survivors" and "Disabled" include relatives of those who qualify under those categories.

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- <sup>1</sup> <http://www.pewresearch.org/fact-tank/2015/08/18/5-facts-about-social-security/>
  - <sup>2</sup> CRS Report, "Social Security Primer, RL 42035, November 30, 2017, <http://www.crs.gov/Reports/R42035?source=search&guid=5b77cd8af80e40478aded24eb0e011fa&index=4>
  - <sup>3</sup> <http://www.nirsonline.org/index.php?option=content&task=view&id=768>; Note: figures are for 2010.
  - <sup>4</sup> <https://www.cbpp.org/research/policy-basics-top-ten-facts-about-social-security>
  - <sup>5</sup> [https://www.ssa.gov/policy/docs/statcomps/income\\_pop55/2014/sect01.pdf](https://www.ssa.gov/policy/docs/statcomps/income_pop55/2014/sect01.pdf), [https://www.ssa.gov/policy/docs/statcomps/income\\_pop55/2014/sect09.pdf](https://www.ssa.gov/policy/docs/statcomps/income_pop55/2014/sect09.pdf)
  - <sup>6</sup> <https://www.nirsonline.org/2016/03/women-80-more-likely-to-be-impooverished-in-retirement/>
  - <sup>7</sup> JEC Democratic Staff calculations based on data from CPS ASEC 2017.
  - <sup>8</sup> <http://www.pewsocialtrends.org/2013/01/30/the-sandwich-generation/>
  - <sup>9</sup> <http://www.caregiving.org/wp-content/uploads/2011/06/mmi-caregiving-costs-working-caregivers.pdf>
  - <sup>10</sup> <https://www.nasi.org/learn/socialsecurity/childrens-stake>
  - <sup>11</sup> <https://www.ssa.gov/history/briefhistory3.html>
  - <sup>12</sup> [https://www.ssa.gov/policy/docs/chartbooks/fast\\_facts/2017/fast\\_facts17.pdf](https://www.ssa.gov/policy/docs/chartbooks/fast_facts/2017/fast_facts17.pdf)
  - <sup>13</sup> <https://www.ssa.gov/history/briefhistory3.html>
  - <sup>14</sup> [https://www.ssa.gov/policy/docs/chartbooks/fast\\_facts/2017/fast\\_facts17.pdf](https://www.ssa.gov/policy/docs/chartbooks/fast_facts/2017/fast_facts17.pdf)
  - <sup>15</sup> <https://www.ssa.gov/history/briefhistory3.html>
  - <sup>16</sup> [https://www.ssa.gov/policy/docs/chartbooks/fast\\_facts/2017/fast\\_facts17.pdf](https://www.ssa.gov/policy/docs/chartbooks/fast_facts/2017/fast_facts17.pdf)
  - <sup>17</sup> <https://www.cbpp.org/research/policy-basics-top-ten-facts-about-social-security>
  - <sup>18</sup> <https://www.ssa.gov/history/briefhistory3.html>
  - <sup>19</sup> <https://www.cbpp.org/research/social-security/trump-house-republican-cuts-to-ssi-would-harm-children-with-disabilities>
  - <sup>20</sup> <https://www.cbpp.org/research/social-security/trump-house-republican-cuts-to-ssi-would-harm-children-with-disabilities>
  - <sup>21</sup> <https://www.cbpp.org/research/social-security/ssi-a-lifeline-for-children-with-disabilities>
  - <sup>22</sup> [https://www.ssa.gov/policy/docs/chartbooks/fast\\_facts/2017/fast\\_facts17.pdf](https://www.ssa.gov/policy/docs/chartbooks/fast_facts/2017/fast_facts17.pdf)
  - <sup>23</sup> [https://www.aarp.org/content/dam/aarp/research/public\\_policy\\_institute/econ\\_sec/2013/social-security-impact-national-economy-AARP-ppi-econ-sec.pdf](https://www.aarp.org/content/dam/aarp/research/public_policy_institute/econ_sec/2013/social-security-impact-national-economy-AARP-ppi-econ-sec.pdf)
  - <sup>24</sup> [https://www.aarp.org/content/dam/aarp/research/public\\_policy\\_institute/econ\\_sec/2013/social-security-impact-national-economy-AARP-ppi-econ-sec.pdf](https://www.aarp.org/content/dam/aarp/research/public_policy_institute/econ_sec/2013/social-security-impact-national-economy-AARP-ppi-econ-sec.pdf)
  - <sup>25</sup> [https://www.aarp.org/content/dam/aarp/research/public\\_policy\\_institute/econ\\_sec/2013/social-security-impact-national-economy-AARP-ppi-econ-sec.pdf](https://www.aarp.org/content/dam/aarp/research/public_policy_institute/econ_sec/2013/social-security-impact-national-economy-AARP-ppi-econ-sec.pdf); Note: figures in 2012 dollars.
  - <sup>26</sup> <https://slate.com/human-interest/2018/01/social-security-faces-death-by-a-thousand-service-cuts.html>
  - <sup>27</sup> <https://www.cbpp.org/research/federal-budget/trump-budget-deeply-cuts-health-housing-other-assistance-for-low-and>
  - <sup>28</sup> <http://thehill.com/homenews/house/363642-ryan-pledges-entitlement-reform-in-2018>