

Social Security: A Social Insurance Program that Helps the Elderly, Children and the Disabled

Edward C. Monahan, Executive Director, Catholic Conference of Kentucky

Social Security helps people. It is most often thought of as a retirement program, yet one-third of its beneficiaries are not retirees. Social Security is a social insurance program. In 2003, Social Security provided monthly insurance payments to 47 million beneficiaries, one in every 6 Americans. In 2001, it paid \$471 billion to retired workers, disabled workers, and to the surviving family members of deceased workers. In 2002, Social Security beneficiaries included 3 million children under 18. It has helped reduce poverty rates for the elderly, from 35% in 1959 to 10.2% in 2003. It has lifted more than one million children out of poverty each year through the survivors' benefits due them upon the death of a parent.

What do the people say about Social Security?

The Pew Research Center for the People and the Press reports that the public agrees that Social Security is facing funding issues but public support for private retirement accounts continues to fall. Pew's February 2005 poll found that for other changes being discussed "there is considerable public opposition to proposals that would raise the retirement age (72% opposed), reduce the rate of benefit growth (64%), and raise payroll taxes (56%). The only possible changes tested that win majority support are those aimed at wealthy Americans. Six-in-ten favor applying the payroll tax to all wages, which would scrap the current limit of \$90,000; and 58% would limit Social Security benefits for wealthy Americans." The poll "finds that just 29% of Americans approve of the way that Bush is handling the issue. This is the president's lowest approval rating for any policy area, and is considerably lower than his overall job approval rating of 46%."

More info on the Pew poll is found at:

<http://people-press.org/reports/display.php3?ReportID=238>

The Social Security program helps ensure a minimum level of security for all workers, their families, and persons with disabilities.

Thirty-four percent of retirees depend on Social Security for at least 90% of their retirement income.

Social Security provides half or more of the income for 65% receiving it. Social Security is the only source of income for approximately 21% of the elderly. It provides three types of benefits: lifetime retirement benefits for retirees who have worked at least ten

years, their spouses, and their children; disability insurance for workers, their spouses, and their children; and survivors' insurance for the families of deceased workers.

The program is funded by payroll taxes paid by workers and their employers on income up to \$90,000. In recent years, payroll taxes have exceeded the guaranteed benefits resulting in a surplus. This surplus was the result of the expanded workforce made up of the large baby boom generation. In coming years, these numbers may reverse themselves as the baby boomers reach retirement age, resulting in increasing numbers of beneficiaries and decreasing

numbers of workers contributing to the system. This fear of a shortfall drives the current debate about if and how to change Social Security. On the other hand, projections of fund balances for Social Security over the next 75 years require an assumption of economic growth. The funding fears of today may not prove out if the economic growth is closer to historical levels rather than the conservative levels used by the Social Security trustees.

Social insurance programs involve not only economic and political issues but also moral issues. Christians have a moral commitment to each other. We are called to care for the widow, orphan and stranger. Social insurance advances the papal teachings of human dignity, life and health of the person and family. In 1963 Pope John XXIII in his encyclical *Peace on Earth* said that a person, “has the right to be looked after in the event of ill health; disability stemming from his work; widowhood; old age; enforced unemployment; or whenever through no fault of his own he is deprived of the means of livelihood.” In his 1981 encyclical *On Human Work*, Pope John Paul II said that people have “the right to a pension and to insurance for old age and in case of accidents at work.”

The debate over Social Security’s viability is short on specifics and suffers from economic projections that require assumptions that are difficult to accurately predict. Changes being discussed are to the payroll tax structure, retirement age, or the rate of benefits. The President proposes establishment of private accounts by which younger workers would have the option of investing part of their payroll tax into the stock market in the hope of a higher return at retirement.

We have moral guidance to evaluate proposed changes. In the U.S. Catholic Conference of Bishops Statement, [*A Commitment to All Generations: Social Security and the Common Good \(May 1999\)*](#), the bishops recognized that the Social Security program is the largest and one of the most successful social programs in the country because it offers an effective, dignified way for Americans to honor their obligations to the elderly, persons with disabilities, and their dependents. The Statement identifies five principles to evaluate proposed modifications:

1. Changes should not put at risk those individuals and families whose resources are already very limited.
2. The disability and survivors’ portions of the program should remain linked to the retirement portion to ensure continuity of commitment to workers and their families in cases of disability and death.
3. Any changes made in the tax structure should be weighed in favor of the poor. Those with lower incomes should bear less of the total tax burden than those who are more affluent.
4. Benefit inadequacies with respect to the benefits received by some women should be remedied.
5. Principles of equity and concern for the common good support bringing employees from all sectors of the economy into the program.

Social security is a social insurance program not a retirement investment program. A fundamental focus for Catholics is how the changes touch poor families and individuals and people with disabilities. Particular priority will be continuing the guarantee of social insurance protections, especially for those who rely on it for basic income support.

The Catholic Conference of Kentucky is an agency of the Catholic Bishops, established in 1984. It speaks for the Church in matters of public policy, serves as liaison to government and the legislature, and coordinates communications and activities between the church and secular agencies. The Bishops of the four dioceses of KY constitute its Board of Directors.