

# **Solving Social Security**

*Laurence F. Jones and Kenneth L. Stewart*

*May 12, 2016*

The Social Security Act, a key reform of President Franklin D. Roosevelt's New Deal, sought to provide social insurance and public assistance for Americans. While its public assistance programs provided cash relief, the social insurance program provided benefits, including disability insurance, survivor, and old-age benefits.

According to the Social Security Administration (SSA), more than 42 million Americans age 65 and over, plus another 17 million under age 65, received benefits under one of these programs in 2014. This amounts to nine of every 10 seniors and 18.5 percent of the total US population.

Old-Age Insurance is the core social security program because it insures against one of the most prevalent hazards experienced by nearly every American worker and family; the loss of an income with rising age and retirement. The average benefit to retired workers in the closing month of December 2014 was \$1,329 according to SSA records. Additional benefits paid in that last month of 2014 included Survivors Insurance to dependents (widowers and children) of deceased workers, and Disability Insurance for disabled workers and their families.

Overall, 59 million beneficiaries of social security programs received an average payment of \$1,215 in December of 2014. Nearly 4 million were Texans averaging \$1,172 in benefits, and among the Texans were 21,310 Tom Green County residents who received an average check of \$1,135. The monthly total of benefits paid in December 2014 was more than \$71 billion.

That amount exceeding \$71 billion in monthly benefits paid out by the government is what makes social security a focal point of politicians, policymakers, and citizens concerned about the national debt today. They see a growing number of retiring, longer-living baby boomers combining with a shrinking number of younger working people to the pay taxes supporting the program. Indeed, according to the Social Security 2015 Trust Report, the existing funds and projected tax collections for social security will be able to pay full benefits only until the year 2034.

Given the immense significance of the social security issue, we wanted to explore its bearing on San Angelo and the Concho Valley. First, we were curious to see how the ratio of workers to seniors is changing in local communities compared to the state and the nation as a whole. Then, we wanted to estimate the impact on the financial security of families in our local communities.

We followed a three-step process to achieve the first task. We started by computing average annual employment rates within the working-age population (ages 16-64) over a time period corresponding to the nation's recovery from the economic recession in 2008.

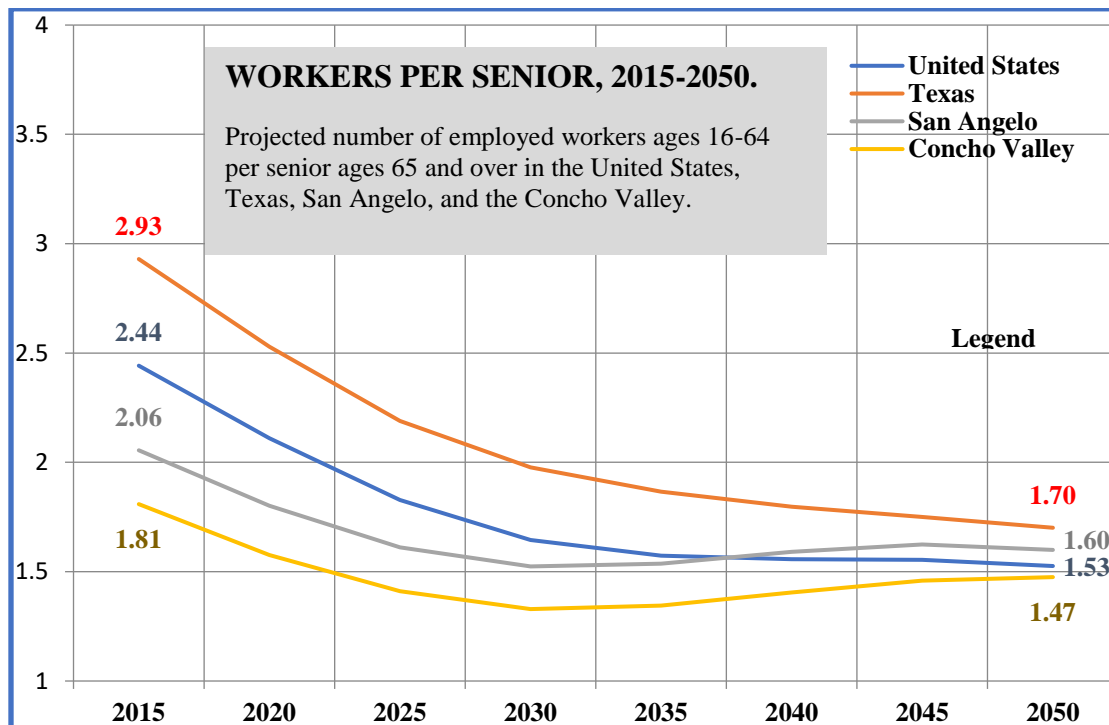
Using the Census Bureau's American Community Survey Data from 2009-2014, we calculated an average employment rate of 54 percent among individuals aged 16-64 in San Angelo over the six years. The six-year average employment rates for the Concho Valley, Texas, and the nation were 53, 58, and 56 percent respectively.

In the next step, we applied these six-year average employment rates to the estimated size of the working age population to estimate the number of employed workers age 16-64 in 2015 and for

years going forward. The final step simply divided the estimated number of workers by the number of people age 65 and over, which derives the ratio of workers to seniors for 2015 and the years ahead.

Our projection anticipates that San Angelo's ratio will decline from 2.06 to 1.6 employed workers per senior between 2015 and 2050, which is a decline of 22 percent.

### Projected Number of Employed Workers



The interesting thing about anticipated changes in the number of workers per senior member of the population is that, over time, Texas and the nation are becoming more like San Angelo and the Concho Valley. Our local communities currently have fewer workers per senior. However, Texas and the nation have more rapid declines that will fall more in line with the local numbers in the future.

We again turned to the Census Bureau's American Community Survey to assess the impact of social security on families. Data for 2014 showing the breakdown of families receiving social security benefits and various direct-cash forms of federal assistance are particularly interesting.

These data show just how vital social security benefits are for the financial stability of families in San Angelo and the Concho Valley. For instance, 68.5 percent of 22,643 families living in San Angelo did not receive social security benefits or any other form of federal cash assistance. The poverty rate among these families was 14.4 percent.

Comparatively, there were 6,312 families receiving social security benefits, and their rate of poverty was 6.8 percent. Moreover, 826 families receiving only cash assistance for the needy had a poverty rate of 41 percent.

### Distribution of Social Benefits

Assistance	San Angelo			Concho Valley		
	Number	Percent	Poverty Rate	Number	Percent	Poverty Rate
Federal Cash Only*	826	3.6	41.0	1383	3.5	33.6
Social Security**	6312	27.9	6.8	11459	29.3	6.7
None	15505	68.5	14.4	26250	67.1	13.3
Total Families	22643	100.0	13.2	39092	100.0	12.1

\*These families received direct cash assistance from Supplemental Security Income (SSI: to assist needy aged, blind, or disabled persons) and Temporary Assistance to Needy Families (TANF: to assist families in poverty). Payments for medical care providers and non-cash assistance such as food stamps (SNAP) are not included.

\*\*These families received social security pensions, survivor benefits, and permanent disability insurance payments. Those receiving railroad retirement benefits are also included in this count.

**Source: U.S. Census Bureau, 2010-2014 American Community Survey 5-Year Estimates**

Communities across the Concho Valley demonstrated a similar pattern. Families receiving social security were least likely to be in poverty. Those with neither social security nor any other federal assistance were more than twice as likely to fall into poverty, and those receiving only federal public assistance were most likely to be living in poverty.

Since its beginning, social security has been a foundation for retirement security, and still today, it appears to be one of the best tools for preventing families from slipping into poverty. Strikingly, for many years, policymakers and citizens alike have allowed this crucial mechanism for ensuring financial security to become more-and-more vulnerable to the demographic trend.

To us, some of the most surprising current attitudes toward social security are manifest in the complacent acceptance of young Americans who seem resigned to paying social security taxes while never seeing a benefit. In the end, it is not that hard to figure out what is necessary to fix Social Security programs. We could raise or remove the tax ceiling, extend the retirement age, means test some benefits, or a combination of such measures.

These are hard choices, to be sure, but given the essential role of social security in laying a floor of financial security in every local community, young Americans should loudly demand a solution. Their older parents and grandparents should join in, not only to secure their own futures, but for the sake of their children too.

Solving social security is more than a matter of honoring the hard work of seniors by insuring their retirement. Solving it is an issue that demands solution for the benefit of the young, the old, and every other member of every local community across America.