



SOCIAL SECURITY FOR YESTERDAY'S FAMILY?

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IMAGINE A RETIREMENT PROGRAM THAT spends an ever-larger share of its resources on people who still have 15 or more years to live and an ever-smaller share on very old, poor, or infirm people. Imagine that this same program:

- treats married couples with the same total earnings differently by granting smaller benefits to those whose earnings are more equally split between spouses;
- gives an additional benefit to spouses just for being spouses, but no such benefit to single and many divorced parents, including those who raise more children, work more, and pay more taxes;
- grants people who signed divorce papers after being married nine years and eleventh months hundreds of thousands of dollars less than those who waited another month to divorce;
- makes some benefits for divorced people married more than 10 years conditional upon their former spouses dying;
- increases benefits for a high earner who brings additional earnings home but does not similarly reward many second earners who contribute to household income and pay additional taxes on their earnings; and
- increases the size and likelihood of rewards for those who have kids when older rather than when younger, marry much younger spouses, and divorce and remarry several times.

Now imagine a never-ending fight among elected officials and advocates over who can

best guarantee that these imbalances will continue forever.

You've probably guessed the system in question by now. It's Social Security, and the elected officials are those who think that the Social Security debate is mainly about whether some retirement money gets put into individual accounts: specifically, whether one-seventh of Social Security taxes, and far less than one-tenth of scheduled spending on the elderly, should be held directly by individuals or put into a government trust fund.

It's bad enough that the inequities in the remaining pie—with or without a slice taken for individual accounts—are largely being ignored. Worse, many reformers on both sides of the individual account debate are willing to lock in these disparities if that's what it takes to control the one-seventh of the pie under dispute.

How might these contradictory rewards and penalties become even more institutionalized if the debate never moves beyond the question of individual accounts versus trust fund saving?

First, some reformers, in trying to create the illusion that no one will lose or pay, have tried to guarantee benefit levels near those specified under current law. This promise, if kept, would perpetuate existing inequities. Second, most reformers are set on balancing total benefits and total taxes. But if in the rush to reconcile dollars and cents reformers ignore the system's large inequities, ignored they will stay for many years. It would be difficult after a major reform for Congress to tell the public, oops, we still got it wrong, even under the newly balanced system.

The fact is that Social Security was designed in the late 1930s, a time when a married male worker and a stay-at-home wife were considered the norm. In the ensuing decades, benefits were added without much regard for the way family life was evolving. For instance, generous survivor benefits were added to help care for women, who tended to be poorer. But this benefit totally ignored many women (and men) who were single or left by former spouses after a few years of marriage.

S T R A I G H T T A L K on Social Security and Retirement Policy

Is it too late to bring Social Security in sync with contemporary family life? Not at all. Besides reaching financial balance and increasing saving, reform should have two main goals: providing minimum levels of income above poverty and removing obvious inequities. For example, the system should stop the obvious disparities in the way it treats single heads of household and those divorced after being married fewer than 10 years.

Most of the inequities noted here are illegal under the private pension system. But that still has not prompted the Social Security Administration to take the first reform step: providing measures that assess the success of different reform options in reducing inequities as well as poverty among the elderly.

Some commissions and congressional bills have made tentative moves in the right direction. But without an independent scorecard, there is no way to determine whether these efforts have succeeded or which approach works best. And without a good understanding of what's at stake, the temptation to choose reform options that are mainly symbolic will likely win out.

The real choices before lawmakers will test their political mettle. The temptation to guarantee that reform will create no losers defies reality, as correcting inequities always means that somebody pays more or that somebody receives less. To meet the two goals of providing minimum levels of well-being and removing clear-cut cases of unfairness, any redistribution should not be based on sex or marital status. Rather, supplemental benefits should be targeted more directly to individuals with low lifetime earnings and low income. By this standard, many married individuals will still qualify for additional benefits, but not because marriage somehow makes them more deserving than a poor single person.

Beyond need, adjustments for family circumstances, such as marriage and divorce, should be made on an actuarially fair basis to avoid stacking the cards against many divorced men and women, spouses with equal rather than unequal earnings, spouses who are approximately the same age rather than different ages, and single heads of household.

Is the current debate going to address the retirement needs of modern families? Only if it is based on how six-sevenths or more of the system meets their conditions and needs—not merely on what happens to the small piece that some want to put in, and others want to keep out of, individual accounts.

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Eugene Steuerle and **Melissa M. Favreault** are coeditors (along with **Frank Sammartino**) of *Social Security and the Family: Addressing Unmet Needs in an Underfunded System* (Urban Institute Press, 2002). Order at <http://www.uipress.org> or, toll-free, 1-877-UIPRESS.

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