Preserving and Enhancing Social Security for All
Find this report on the web [here](#). For more information about the report, contact:

**Rayna Stoycheva, PhD**  
*Director of Retirement Security Policy*

The Harkin Institute  
2800 University Ave  
Drake University  
Des Moines, Iowa 50311  
Phone: 515-271-3222  
Email: rayna.stoycheva@drake.edu

**The Harkin Institute Contributors:**

**Alex Bates**  
Undergraduate Communications Assistant

**Leetal Cohn**  
Undergraduate Research Assistant

**Lila Johnson**  
Graphic Designer and Digital Accessibility Specialist

**Stephanie Kiel**  
Undergraduate Chief of Staff

**Natalie Klusman**  
Graduate Research Assistant

**Kathryn Kuckelman**  
Communications Manager

**Matthew Reed, Ph.D.**  
Executive Director

**Rayna L. Stoycheva, Ph.D.**  
Director of Retirement Security Policy

**Natalie Sherman, JD**  
Graduate Research Assistant
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Foreword

The annual Harkin Retirement Security Symposium addresses contemporary policy issues and legislative changes surrounding access to and adequacy of retirement savings, inequality in retirement preparedness, and financial literacy and wellness.

For the first ever Retirement Security Symposium, we wanted to focus on something that is crucial for the retirement security of Americans. We landed on “Preserving and Enhancing Social Security for All” because Social Security is the first tier of retirement income for every American and a primary source of retirement income for lower and middle-class households. It is the only guaranteed pension available to everyone for as long as they live, and the biggest anti-poverty program in the United States. For this event, we brought together policy makers and researchers actively working on Social Security reform, research, and legislation to have a comprehensive discussion about the program and how we can make it work for all Americans. We have seen several legislative proposals to Social Security recently, and we need to continue the momentum of these efforts to make sure everyone has access to the lifetime income and disability and life insurance benefits that Social Security provides.

This event would not have been possible without our generous sponsors: AARP, the National Education Association, The National Organization of Social Security Claimants’ Representatives, The National Committee to Preserve Social Security and Medicare, the AFL-CIO, and Michael and Young Hee Kreps. We appreciate your support of our mission to provide access to high quality policy analysis for policy makers and citizens!

In this publication, we have compiled highlights from the four panels and the two keynote speakers at the symposium, as well as two factsheets on Social Security and Disability Insurance. We also included a policy brief that provides an overview of the OASDI program and discusses its importance for the retirement security of all Americans, and major alternatives to balance the trust fund. If you would like to revisit the event in more detail, it is available on The Harkin Institute YouTube channel.

Rayna L. Stoycheva, Ph.D.
Director of Retirement Security Policy
2023 Harkin Retirement Security Awards

Visionary Award
Congressman John B. Larson

Advocacy Award
Social Security Works
The National Committee to Preserve Social Security and Medicare

Congressman John B. Larson
Congressman John B. Larson proudly represents Connecticut’s First District. Now in his 13th term, Mr. Larson sits on the influential House Ways and Means Committee, including the Subcommittee on Tax Policy and the Social Security Subcommittee, where he serves as the Ranking Member. Throughout his time in Congress, Mr. Larson has proven himself a staunch advocate for Connecticut’s working families, Connecticut’s manufacturing and small business ecosystem, and commonsense solutions for the problems Americans face every day.

Social Security Works
Social Security Works was established in 2010 with the mission of “protecting and improving the economic security of disadvantaged and at-risk populations; safeguarding the economic security of those dependent, now or in the future, on Social Security; and maintaining Social Security as a vehicle of social justice.” Social Security Works also created and staffs the Strengthen Social Security Coalition, a broad-based alliance of over 350 national and state organizations, including women’s, labor, aging, disability, veterans, and civil rights groups representing more than 50 million Americans. The coalition is chaired by Social Security Works President Nancy Altman.

The National Committee to Preserve Social Security and Medicare
The National Committee to Preserve Social Security and Medicare was founded in 1982 by former Congressman James Roosevelt, the son of President Franklin D. Roosevelt, who signed Social Security into law. NCPSSM is one of the nation’s largest and most effective seniors’ advocacy organizations, powered by the strength of its millions of members and supporters around the country. Its mission is to protect Americans’ earned benefits and to educate the public about the importance of those benefits. NCPSSM is currently presenting a series of town halls across the country, in partnership with AARP, to reinforce the value of Social Security. This new national campaign is called, “Social Security: Here Today, Here Tomorrow.” Max Richtman is the President and CEO of NCPSSM.
Morning Keynote:
Stephen Goss, Chief Actuary, Social Security Administration

Key messages:
- Social insurance is an essential component of retirement, disability, and survivor maintenance of income.
- A major change from the projections used in 1983 is the increased income dispersion, which has reduced the amount of taxable payroll from 90 percent to 82.5 percent.
- Social Security does not and cannot add to the federal debt under current law.

I’m so honored to be invited to come speak to you this morning. I would like to start with a broad question: why do we have Social Security? Well, back in 1935, it was recognized, as it is today, that we do have a need for universal protection against loss of income for workers and their families reaching old age, i.e., retirement, and for disability and death. Although, disability did not come to Social Security until 1957. Now, everybody here is very aware that personal savings, assistance from family members, and employer pensions are not adequate. So, social insurance is really an essential component of retirement, disability, and survivor maintenance of income.

I have a favorite illustration about the importance of Social Security: the old adage of a three-legged stool for retirement income, as well as for disability and survivors. Social Security is the big leg in the middle because it is such a fundamental aspect of providing the floor of protection for income maintenance. Employer pensions and personal savings are also key components.

Since the 1980s, less than half of all working people are participating in some kind of an employer retirement pension. You can see back around 1980, the pensions were largely defined benefit pensions, with generally life annuity as the payout. But that has changed completely. Now we’re in a position where defined benefit plans are very uncommon and defined contribution plans are much more the norm. One of the problems here is that for lifetime income, commercial annuities that are CPI-indexed are not available. So, Social Security really becomes the fundamental source for lifetime annuity income.

The question that is before us and always has been is how much should Social Security provide in terms of retirement or disability income? What share of pre-retirement earnings should it replace? Financial planners advise that the goal is to replace 75-80 percent of your income levels near retirement. We have done analysis by income level that estimates the Social Security replacement rates at 68% for very low earners, 40-50% for low to medium earners, and 30% for high earners. We can see that the current program does well for lower to middle income households as the foundation of their retirement income.

We all know that the benefits are financed by the 12.4% payroll contribution that is shared by employees and employers. However, for some time now, the cost has exceeded the revenue, and we have been drawing down the trust fund reserves to pay full benefits. We are expecting to deplete those reserves by about 2034. And at that point in time under current law, we would only be able to pay out what is available from continuing income coming in, which amounts to about 80 percent of the full scheduled benefits.

The long-known reason for this increase in the cost is because of the drop in birth rates after 1965, the Baby Boom period. However, after the 1983 amendments, the Trustees Report projected reserve depletion in 2063. So, what happened? At that time, we already knew about the low birthrates, and our mortality projections were remarkably accurate for life expectancy at age 65. But over 80 percent of the worsening since 1983 is due to unanticipated economic experience.

In 1983, the percentage of all covered earnings that fell below the taxable maximum (currently $160,200) was about 90 percent, and it was anticipated that the distribution of earnings across workers would remain the same. Unfortunately, that did not occur. You can see over the 17-
year period, from 1983 to 2000, the percentage of earnings that was taxable dropped from 90 percent to 82.5 percent. That’s about an eight-percentage point drop in the amount of revenue coming into the system from payroll taxes. Why did this happen? Well, we often refer to this as dispersion of earnings. In the 17-year period between 1983 and 2000, the top six percent of earners, those who have earnings at and above the taxable maximum, their average real earnings grew by 62 percent. The other 94 percent of earners below them, their average real earnings only grew by 17 percent. This is a massive change in the distribution of earnings, and that’s what caused us to have a much smaller share of all covered earnings falling below our taxable maximum. Another big factor was the Great Recession of 2007-09, which reduced the growth of the trust fund below our projections.

By 2034, we’re going to have to either increase revenue by about a third or reduce scheduled benefits by about a fourth or some combination of the two. One proposal has been to increase the normal retirement age. The Simpson Bowles Commission in 2010 developed a very interesting approach that would protect lower income individuals from the increase in the retirement age. Our currently projected revenue source for Social Security is currently only at about 4.5 percent of GDP, that’s well under the six percent of GDP longer term cost of the program. One option to increase revenue is to raise or eliminate the taxable maximum on payroll. I note that we scored some bills that Senator Harkin had put forth in 2012 and 2013 that had a provision to eliminate the taxable maximum. Alternatively, we could raise the 12.4 percent payroll tax rate. We could also take advantage of returns on investments and investment income. One approach that had been suggested in the past is to invest some of the trust funds reserves as suggested by Bob Kerrey and Alan Simpson back in the 1995 proposal, and also by Bob Ball in the 1994-1996 Advisory Council. Or we could do the equivalent basically of that which is simply to tax investment returns as in the 2010 Affordable Care Act provision. This is also in several current proposals, including Representative Larson’s proposal.

A final but very important note just very briefly on this. I’m sure everybody here has heard about prognostications that the entitlements, and Social Security in particular, are going to cause federal debt to be going up dramatically in the future and that is a real problem. The reality of this is, under current law and under all past practice, Social Security cannot increase the debt. In fact, Social Security can only hold positive balances in its trust funds. Therefore, the positive balances in the trust funds, which are all invested in Treasury securities, actually help support the federal debt that is created by all other government operations.

Again, I appreciate the opportunity to participate in this symposium!
Lunch Keynote:
Congressman John Larson, Inaugural Recipient of the Harkin Retirement Security Visionary Award 2023

Key messages:
- Social Security is the number one anti-poverty program in the country.
- There are several proposals to balance and strengthen the program and Congress needs to act.

Call to action:
Contact your representative and ask them about their plan of action and when they will vote on it.

It’s with a little bit of trepidation, I guess, that one speaks before this group given so many advocates that are here and people who care deeply about policy. So, in so many respects, as the Sisters of Notre Dame would say, “I know I’m preaching to the choir,” but remember it’s the choir that leads the singing and nobody has hit those notes and chords as well as Tom Harkin over his lifetime commitment. Which, ironically, when you think that it was 83 years ago that Ida May Fuller got the first Social Security check, that Tom’s life is kind of concurrent with Social Security and what they have in common (that is Social Security and Tom) is their persistence—their persistence in helping people.

Social Security, as you know, is the nation’s number one anti-poverty program for the elderly. It’s also the number one anti-poverty program for children. And with the statistics that came out just yesterday, with child poverty doubling in the United States, the time to act is long overdue. Here’s this remarkable program that is indeed the signature insurance program for every American. And yet, imagine that Social Security has not been enhanced in 52 years. Think about that. In the wealthiest nation in the world, with everything that goes on, not since Richard Nixon was president of the United States, has the United States Congress enhanced Social Security.

So how do we get Congress to do it? Tom Harkin introduced Strengthening Social Security years ago because he knew the programs haven’t been enhanced! Back in 1971, an egg cost fifty-two cents. Mortgages, on a house on average, were $27,000. Today, they’re $400,000-plus! How in God’s name can we not possibly recognize what has transpired over these times?

So, one of the things that we’ve done in advocating for this is to make sure that everyone in the House of Representatives has a Social Security card. And as you can see, we count out just how many recipients are actually in your district and break that down to retirees, children and widows, and disabled workers. On the Social Security card we indicate, in the case of Rich Neil, that he has 170,000 people in his Congressional district who receive Social Security. And the monthly amount that comes into his district from Social Security is $276 million.

And Tom and I were talking earlier about what’s happening to our democracy at the same time. You can see it eating away with this wealth disparity and the erosion of a safety net, and a disparity between the “haves” and the “have nots”. But also, it’s eroding away because of a lack of action. If you don’t vote and you’re not held accountable, then you get to say how much you like the program, you just don’t understand why Congress hasn’t done anything. It hasn’t done anything because it hasn’t voted! And every agency around this great nation of ours ought to be demanding that Congress takes action.

In the Social Security 2100 Act, we have zeroed in on the economic benefits of the Social Security program by providing a much-needed boost to benefits across the board, improving inflation protection for the elderly, protecting widows and widowers, and dependent students and
grandchildren of disabled, deceased or retired workers. As you heard in the sessions this morning, the program needs critical updates that align it with the current labor markets and structures. So, we added caregiver credits and targeted increases for the oldest beneficiaries. We are paying for all this by taxing higher income individuals who have benefited from unprecedented income and wealth growth.

Listen, Social Security 2100 isn’t only the plan that’s out there. There are many plans out there. If you got a better idea, put it on the table! Explain how you’re going to pay for it and then vote. This is so critical at this time. As Martin Luther King would have said, the fierce urgency of now is upon us. Time is not on our side. In 1983, they had only ten years to act before the program went insolvent. Here we are in 2023, we have less than ten years before the program will face a 20 percent cut across the board. And the solution from the other side of the aisle is to further cut it by 21 percent by raising the retirement age to 70? If people are living longer, how in God’s name does it make any sense that if you’re living longer, we think you need less to live on? It doesn’t! It doesn’t. But let it start here. Let it be at this symposium, with the man who is also synonymous with Social Security and helping the American people. Let it start at this symposium with your activism and your voice. Hold your members of Congress responsible and say where’s the vote? What plan of action do you have, and when are you going to vote on it?

And, you know, when you talk to our colleagues on the other side of the aisle, many of them understand, and in our Social Security 2100 bill, we’ve included all of their proposals that make sense because the program makes sense. When I look at our colleagues on the other side, I say, “this isn’t Democrat or Republican. These are your brothers and sisters. These are people in your community, the people you sit in the church pew with.” It’s that important. We need to do this. For this great nation we all love. Thank you. I feel honored to have received this award and to be in the presence of such greatness. God bless you. God bless America.
Panel One

Restoring Social Security to Long Range Balance

- When considering how to restore Social Security to its long-range balance, it is essential to ask if a policy solution is desirable and if the option is politically, legislatively, and administratively feasible.

- The most effective policy solutions to the long-range balance of Social Security will come from open, transparent actions that draw upon shared values and a bipartisan consensus.

- Over the past forty years, income, longevity, and wealth inequality have skyrocketed, so policy options that address one or more of these forms of inequality should be at the forefront of the legislative agenda.

- As a policy solution, cutting benefits in any way is extremely unpopular, and there is no clear demographic rationale for doing so. Instead, growing revenue streams through phased-in progressive tax reforms is more desirable and feasible to restoring long-range Social Security balance.

- Other creative policy solutions include increasing wages, broadening access to affordable childcare, reforming the immigration system, and putting earned income from the underground economy on the books.

- The impact of these policy options on marginalized communities – such as women, children, disabled people, people of color, and individuals forced to exit the labor force – should be expressly examined because Social Security is meant to benefit everyone.

Question and Answer Recap

**Question:** Given documented differences in life expectancy that vary with socio-economic factors, would there be any advantage to having different full retirement ages by occupation?

**Answer:** Because of the existing burdens to administering adequate benefits, there are likely other solutions that would address issues more directly without adding administrative burdens.

Panelists:

- **Bill Arnone**, Chief Executive Officer, National Academy of Social Insurance [Moderator]
- **Nancy Altman**, President, Social Security Works
- **Richard Fiesta**, Executive Director, Alliance for Retired Americans
- **Monique Morrissey**, Senior Economist, Economic Policy Institute
- **Kathleen Romig**, Director of Social Security and Disability Policy, Center on Budget and Policy Priorities


Panel Two

Targeted and Across-the-Board Expansions to Improve the Economic Security of Working Families

• The original Social Security benefit structure was modeled after a world much different from the modern day. Alongside addressing long-term solvency through expanding the revenue base, there is growing concern about the adequacy of Social Security benefits, especially among vulnerable groups such as caregivers, widow(er)s, older retirees, and low earners.

• Targeted expansions to improve the economic security of all individuals – especially vulnerable ones – include creating caregiving credits, enhancing survivor’s benefits, raising benefits at a certain age, and expanding and indexing special minimum benefits.

• Broader solutions involve establishing a universal retirement system. One policy proposal that would integrate the current system, Social Security bridge funds, would allow for the Social Security Administration to accept and administer rollover retirement funds and enable individuals to delay claiming benefits so that they can maximize the value of their Social Security guaranteed and inflation-protected rate of return.

• Any and all of these policy solutions must be accompanied by additional support of the Social Security system, as well as efforts to educate current and future beneficiaries about maximizing benefits.

Question and Answer Recap

**Question:** What would be the administrative burden of broadening and establishing these solutions, specifically as it relates to Social Security bridge funds?

**Answer:** There would be an administrative burden, but the Social Security Administration can handle it with additional investment. Americans want a strong, enduring Social Security program, and this is one method to get there.

Panelists:

- **Richard Johnson**, Director, Program on Retirement Policy, The Urban Institute [Moderator]
- **Andrew D. Eschtruth**, Associate Director for External Relations, Center for Retirement Research, Boston College
- **Cindy Hounsell**, President, Women’s Institute for a Secure Retirement

Panel Three

Public Opinion on Social Security Reform and Legislative Agenda

• There are many public policy issues that are difficult, if not impossible, to solve. Social Security should not be one of them. Public opinion polls demonstrate that Social Security is a deeply personal and important issue, and the relatively high level of support of the program across generations is unlikely to change.

• Surveys demonstrate that most individuals want the government to prioritize Social Security, and they desire bipartisan solutions that enact gradual changes to increase funding and extend the longevity of the program.

• There is no single solution, but the public is likely to support a package of policies that will address the funding gap and long-term solvency of the Social Security system.

• While most individuals reject the idea of tax increases in the heat of the debate, most state they are willing to pay more now to reap the benefits later.

• On the whole, voters feel Social Security can and should be fixed.

• Ahead of potentially pivotal upcoming elections, organizations should prioritize educating policymakers and the public about Social Security to increase the odds of a bipartisan consensus that adequately addresses Social Security.

Question and Answer Recap

Question: What are public views on possibly expanding revenue solutions beyond the current payroll tax model?

Answer: The public generally agrees that finding other revenue streams is worth exploring.

Panelists

• Max Richtman, President and CEO, National Committee to Preserve Social Security and Medicare [Moderator]

• Fay Lomax Cook, Professor Emerita of Human Development and Social Policy and Director Emerita, Institute for Policy Research, Northwestern University, and Distinguished Visiting Fellow, National Academy of Social Insurance

• Mathew Greenwald, Founder & Managing Director, Strategic Initiatives, Greenwald Research

• Nancy LeaMond, Executive Vice President and Chief Advocacy & Engagement Officer, AARP

Fay Lomax Cook speaking at the Harkin Retirement Security Symposium

Members of the panel on Public Opinion on Social Security Reform and Legislative Agenda posing at the Harkin Retirement Security Symposium
Panel Four

The Status of Older Workers: Early Retirement and SSDI

- When discussing Social Security and policy solutions, there is a general assumption that retirees are a homogenous group when, in reality, they are highly diverse.
- One group that consistently falls through the cracks consists of older workers who are too disabled to work in their current, usually physically demanding, job but are not disabled enough to qualify for Social Security disability insurance and cannot retire early. Because this subpopulation is growing, their needs must be explicitly considered.
- The process of applying for and receiving Social Security disability is highly complex and constrained by limited resources within the Social Security Administration, but there are many options to address this difficulty.
- Eliminating the asset limit, modernizing processing technology and information, restoring the earnings statement, and ending reconsideration in favor of a greater investment in the initial application decision process are tangible starts.
- Broader, more involved policy options may involve raising minimum benefits, expanding the definition of disability, changing or eliminating the earnings test, and working with existing community groups to educate this targeted population.
- As another solution, another formulation of bridge benefits would provide half of the difference between full and early retirement benefits at each age prior to full retirement to plug the gap related to the early retirement penalty.
- Social Security is one of the most effective federal anti-poverty measures across all populations, so any solution must be paired with additional funding and resources for the Social Security Administration as a whole.

Question and Answer Recap

**Question:** Is there an international model for how the disability determination process can be improved?

**Answer:** There is no universal international model, but rather many different models among countries, so it makes sense to focus on proposed common-sense fixes to the United States’ model instead of comparing it to others.

Panelists

- **Laura Haltzel**, Senior Fellow, The Century Foundation [Moderator]
- **Barbara Bovbjerg**, Chair, NASI Older Workers Retirement Security Task Force and former Managing Director, Education, Workforce, and Income Security, Government Accountability Office
- **David Camp**, Interim CEO, National Organization of Social Security Claimants’ Representatives
- **Jeff Cruz**, Legislative Representative, American Federation of Government Employees
Social Security 101: History, Importance, and Reform

Rayna L. Stoycheva, Ph.D.
November 2023, Policy Brief Number 23-3

“We can never insure one hundred percent of the population against one hundred percent of the hazards and vicissitudes of life, but we have tried to frame a law which will give some measure of protection to the average citizen and to his family against the loss of a job and against poverty-ridden old age.” President Franklin D. Roosevelt, August 14, 1935

The Old-Age, Survivors and Disability Insurance (OASDI) Program

The Social Security Act of 1935 laid the foundation for the OASDI program, commonly known as Social Security and Disability Insurance. The act was amended to add protections for dependents of retired workers and survivors (1939 amendments), and disability benefits (1950-1960 amendments). In September 2023, 50 million retired workers and 8.5 million dependents and survivors received Social Security benefits, and 8.6 million workers and their dependents received disability insurance benefits. These benefits are funded by 12.4 percent payroll contribution on wage income, split equally between employers and employees. Self-employed individuals pay the total rate of 12.4 percent. The payroll contribution is subject to a taxable maximum earnings cap, adjusted every year by the average wage increase in the economy. The cap for 2023 is $160,200, and individuals with wage income above the cap do not contribute to Social Security on that portion of their income and do not accrue additional Social Security benefits.

The average retirement benefit for September 2023 is quite modest at $1,841 per month. As a percentage of earnings, the U.S. Social Security program replaces on average about 40% of pre-retirement income, compared to the OECD average of 51.8 percent. The Social Security benefit is a function of a worker’s wage income for the 35 years with the highest earnings. If a worker does not have 35 years of wage earnings, the formula includes zeros for the years without income. This feature of the benefit formula has the largest impact on women, who may have multiple years of no work or part-time work, resulting in low annual income. The monthly benefit is calculated by applying a progressive formula, where lower levels of income are replaced at a higher rate. For 2023, a retiree eligible for Social Security will receive 90 percent of the first $1,115 (first bend point) of their average indexed monthly income, 32 percent for income over $1,115 and up to $6,721 (second bend point), and 15 percent on income above $6,721 up to the cap for 2023, $13,350. Table 1 shows three hypothetical scenarios, assuming retirement at the full retirement age (67).

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<td><strong>Low Income</strong></td>
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<td>Average indexed monthly income</td>
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<td>Monthly retirement benefit at age 67 (full retirement age)</td>
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<td>Replacement rate (retirement benefit/monthly income)</td>
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Although Social Security retirement benefits are modest by international comparisons, the income from the program is vital for the retirement security of Americans. Social Security is the first tier in the retirement system, with almost universal coverage (some government employees are not included due to employer retirement coverage). One in five older adults rely on Social Security for 90% of their income, and four in ten rely on it for at least half of their income. Other sources of retirement income include employer retirement savings programs, other assets, and earnings. However, almost half of U.S. workers do not have employer retirement coverage, leaving Social Security as their primary retirement income program. Social Security also provides guaranteed income for life, insuring retirees against outliving their resources in old age.
The OASDI program is fully funded by payroll contributions and does not have the authority to borrow money or to use other revenue sources. As a result, it does not contribute to the federal debt. The funding method is known as pay-as-you-go, with current employee contributions funding current retiree benefits. This funding is typical for national retirement programs. Contributions are deposited in two trust funds (Social Security and Disability Insurance), and amounts in excess of current benefits are invested in Federal securities. The Social Security trust fund is projected to be depleted by 2033, and the Disability Insurance trust fund is solvent for the 75-year projection window. After 2033, Social Security will be able to pay 80 percent of scheduled benefits, assuming no legislative action to address the revenue shortfall.

Public Opinion on Social Security Reform

Public opinion is regularly consulted about Social Security reform through general public opinion polls or surveys presenting different reform scenarios. This brief examines results from both types of public opinion studies, with an emphasis on recent surveys that have focused on tradeoffs and policy simulations for different reform options.

Gallup News conducts regular opinion polls on Social Security, and in their 2019 survey, they report that fifty-seven percent of retirees said that Social Security was a major source of income in their retirement. Consistent with the progressive structure of the Social Security benefit formula, lower- to medium-income households rely more heavily on Social Security in retirement. When asked about changing Social Security in the future, majorities across demographic groups and party affiliation say that Social Security benefits should not be reduced in any way. At the same time, there is low confidence in the future of the system among those who are not retired yet, with one in three respondents believing that Social Security will not be a major source of income for them when they retire. Overall, Americans believe that Social Security is an important government program, that this program needs more support now than ever, and that they are willing to contribute to stabilize it.

To examine specific preferences for reform options, the National Academy of Social Insurance conducted a comprehensive national survey in 2014, including questions focused on knowledge and attitudes towards Social Security, confidence in the system and the importance of benefits, and tradeoff analysis of fourteen specific reform proposals. Americans showed a “strong preference for strengthening the finances of the Social Security system and are willing to contribute” as well as wanting to close the system’s financing gap. In addition to confirming existing public opinion poll data cited above, the survey showed that there are features of the program that are not widely known, including disability and life insurance benefits. In order to balance the program for the long term, respondents chose a package that increased revenues by eliminating the maximum taxable cap and increase the payroll tax rate from 6.2 percent to 7.2 percent for employers and employees. The package also included increasing the cost-of-living adjustment (COLA) to reflect higher inflation for the elderly and an increase in the minimum benefit (which affects lifetime low-wage workers). The second most preferred package was similar, but included an across-the-board benefit increase. The first package would completely eliminate the funding gap, and the second package would cover 90 percent of the funding gap.

A similar survey focused on the respondent’s knowledge of the Social Security program and reform proposals was conducted by the Program for Public Consultation in 2022. In this survey, more than 2,500 respondents were exposed to a policymaking simulation, which included a briefing on the Social Security program, and arguments for and against proposals that could be used in the future to balance the trust fund. The range of proposals included increasing taxes on the wealthy, raising the payroll tax, raising the retirement age, reducing benefits to high earners, and increasing the minimum monthly benefit for low-income earners, among others. Majorities of Democrats and Republicans favored two proposals to increase revenue: (1) making more wages subject to the payroll tax, and (2) increasing the payroll tax from 6.2% to 6.5%. There was also bipartisan support for two proposals to cut benefits: (1) raising the retirement age from 67 to 68, and (2) reducing benefits for high earners. The combination of reforms would eliminate 85 percent of the trust fund shortfall. Importantly, there was significant opposition to further increases in the retirement age (up to 70 years and/or indexing to longevity).

Given the strong bipartisan support for Social Security reforms that would result in sustaining and marginally strengthening the program, the lack of legislative action to address the funding shortfall may seem like a paradox. One
of the main issues regarding decisions to increase funding for the program is that legislators feel immense pressure not to impose costs on their constituents because they are worried they will not be re-elected. Furthermore, over the years insolvency has been a long-term problem without short-term consequences. However, the window for action has narrowed significantly, with only 10 years left to address the trust fund shortfall. Without congressional action, an estimated 83 million Social Security recipients will face automatic across the board benefit cuts of 20 percent.

Reform Options to Balance the Trust Fund

The reform options that specifically focus on balancing the trust fund fall into two broad categories: revenue increases and benefit cuts. The two primary revenue changes would increase the tax base by either raising or eliminating the taxable maximum or by increasing the payroll tax. There are other revenue sources that have been added to the discussion, such as taxing investment income or possibly adding funding from general revenues, but the focus here is on the current funding model. Benefit cuts include raising the full retirement age (from the current age of 67 up to 70) and indexing the retirement age to longevity increases. As a general rule, a one-year increase in the retirement age is an effective seven percent reduction in benefits. Other benefit reductions have been targeted to higher earners, reducing the rate at which benefits are accrued at the top of the income distribution by adding another bend point.

The original normal retirement age (NRA) for Social Security was 65, and it was gradually increased to 67 with the 1983 amendments that passed in anticipation of the increased costs for the Baby Boomer generation. Since the inception of the program, life expectancy at age 65 has increased from 11.9 years for men and 13.4 years for women to 18.1 years for men and 20.6 years for women in 2019. An increase in life expectancy results in higher lifetime benefits as individuals receive benefits over more years in retirement, while an increase in the retirement age reduces benefits by shortening the number of years that benefits are received. While the logic of increasing the retirement age to compensate for longer lifespans seems easy to grasp, the distributional effects are much more complex. The net effect depends on the life expectancy of different groups, which is not uniform and is highly correlated with income. Most of the gains in life expectancy have gone to higher earners and are more pronounced for men than women. The gains are concentrated in the top two income quintiles, while there has been a small reduction in life expectancy for men in the first quintile and for women in the first two quintiles. Given an overall small increase in life expectancy at the bottom half of the income distribution, further increases in the retirement age would result in effective lifetime income cuts in Social Security benefits for the group of beneficiaries who rely most extensively on the program as their major source of income.

There are several variations focused on targeted reductions for higher income earners. They involve a combination of reducing the dollar range for the second bend point and inserting a third bend point, and a lower benefit factor (as low as 5 percent). However, some versions of the third bend point proposals would set the cutoff at the 50th percentile of the income distribution, which would significantly reduce Social Security benefits to moderate income families, not only high-income families. Overall, it is possible to design a benefit cut that can be directed to higher income earners, but it reduces the link between Social Security contributions and benefits, a feature of the program that is considered essential for its widespread support.

The most commonly featured legislative proposal to raise revenue includes some version of raising the taxable maximum earnings cap or a phased-out elimination of the cap. The 1983 amendments to Social Security also updated the taxable maximum and brought total taxable payroll up to 90 percent of all wage income. Additionally, the taxable maximum was indexed to average wage growth. As discussed by the SSA Chief Actuary, Steve Goss, since these last adjustments, total taxable payroll has decreased to 82.5 percent due to the significant income growth at the top of the income distribution and minimal income growth in the rest of the income distribution. Increasing the payroll tax cap to 90 percent of payroll (equivalent to annual income of $300,000) would bring more revenue into the program, while also generating additional Social Security benefits for those earners. Other proposals have included creating a donut hole that is not taxed (between the current taxable maximum and $400,000 for example), and then taxing income above $400,000. Eventually, as the taxable maximum increases with average wage growth, all income will be taxed. Expanding the tax base to include more earnings from payroll, while also increasing the benefits, has a modest
effect on its own on the funding of the program. Such a reform would extend the trust fund anywhere between a few years up to an entire decade, depending on the specific features of the reform proposal. It is a reform option that improves the progressivity of the program, which has been reduced due to income inequality and differences in life expectancy.

Other options to raise revenue include expanding the payroll tax base to include income that is currently not taxed (e.g. employer pre-tax benefits such as health insurance), adding a tax on investment income, or using general revenue to fund the difference between payroll contributions and benefit payments. These reforms would also improve the progressivity of the OASDI program, assuming higher income individuals tend to receive employer benefits and investment income. These alternatives raise questions about the best funding model for the program and whether we should continue to rely on the payroll tax as the main source of revenue given the significant changes in income and wealth distribution. In the context of social insurance, it is important to establish floors that protect individuals from poverty and hardship, and the value of these protections may not be directly proportional to individual contributions to the system. Like any insurance product, the benefit from the risk protection adds value for individuals and their families, above and beyond the specific benefits that are guaranteed through these programs.

The narrative that the demographic impact of the Baby Boom combined with increasing lifespans renders Social Security unsustainable is both false and disempowering; it implies there is nothing to be done. As we have shown, however, many reform proposals are viable, and there is real room for democratic decision-making. In multiple surveys and studies focused on Social Security reform, Americans have consistently expressed preferences to maintain at least the current levels of benefits and to find resources to pay for those benefits. Reform proposals that focus exclusively on balancing the trust fund without examining the distributional effects of these changes and their impact on the retirement security of the most vulnerable groups do not reflect responsible policymaking. Rather, any reform should take account of the importance of Social Security benefits in ensuring that Americans of all classes can lead dignified lives in retirement.

Sources

1 Social Security Administration, FDR’s Statements on Social Security, #7 Presidential Statement Signing the Social Security Act. https://www.ssa.gov/history/fdrstmts.html#message2
5 AARP Public Policy Institute, Social Security Quick Facts, 2022
Social Security Fact Sheet

**Number of Americans Who Receive Social Security Benefits by Type**

- **Retired Workers**: 46,329,595
- **SSDI**: 8,151,016
- **Spouses, former spouses, widows/widowers, parents of deceased beneficiary**: 6,366,621
- **Children**: 4,003,635


**Percentage of Adults 65+ Who Rely on Social Security for 90% of Income by Race and Gender**

- **White**: 19%
- **Black**: 28%
- **Men**: 12%
- **Women**: 15%


**Economic Impact from Social Security in the United States**

- **$1.25 trillion**
- **$824 billion**
- **$128 billion**
- **$144 billion**
- **$1 trillion**


**Percentage Distribution of Aggregate Income Among Adults 65+ by Source**

- **Earnings**: 24.7%
- **Pensions**: 35.3%
- **Social Security**: 24.7%
- **Asset Income**: 7.5%
- **Other 2%**


**Average Worker Benefits Per Month in the United States**

- **U.S. Average Social Security Worker Benefit**: $1,544
- **U.S. Average Social Security Disabled Worker Benefit**: $1,727


**How Social Security Effects Individuals in Poverty**

<table>
<thead>
<tr>
<th>Description</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of individuals aged 65 and older lifted out of poverty by SS</td>
<td>16.1 million</td>
</tr>
<tr>
<td>Reduction in proportion of individuals below the poverty line</td>
<td>Reduced from 37.8% to 9%</td>
</tr>
</tbody>
</table>

Percentage of Adults 65+ Reliant on Social Security for Income in the U.S.

- Less than 50% of income from Social Security (39.2%)
- At least 50% of income from Social Security (41.2%)
- More than 90% of income from Social Security (19.6%)

Source: AARP Public Policy Institute

Life Expectancy Rising Faster for High-Earning Men

- Top half of earners: 5.4 Years
- Bottom half of earners:

Year of Reaching 65

Source: Center for Budget and Policy Priorities

Raising Social Security’s Full Retirement Age Cuts Benefits for All New Retirees

- Retire at 62
- Retire at 65
- Retire at 67
- Retire at 70

Benefits for All New Retirees

Source: Center for Budget and Policy Priorities

Most Retired Workers Claim Before the Full Retirement Age

- 62: 29%
- 63: 7%
- 64: 8%
- 65: 13%
- 66: 25%
- 67: 4%
- 68: 2%
- 69: 2%
- 70+: 10%

Claim Age

Source: Center for Budget and Policy Priorities

Social Security as a Percent of GDP

Source: 2023 Social Security Trustees Report
Social Security Benefits for Average Worker as a Percentage of Earnings

Policy Basics: Social Security Disability Insurance

- January 2022: 7.8 million people received disabled-worker benefits from Social Security.
  - Payments also went to 94,000 spouses and 1.2 million children
  - Average monthly benefit $1,359
- SSDI benefits totaled $144 billion in 2020 (2% of federal budget)
- Average SSDI beneficiary has 22 years work experience and earned middle-class wages before becoming disabled
- 75% of SSDI beneficiaries are age 50+
  - 40% are age 60+

Public Spending on Incapacity

Source: Organisation for Economic Co-operation and Development, Public Spending on Incapacity as Percent of GDP 2021
About The Harkin Institute

The Harkin Institute for Public Policy & Citizen Engagement is a nonpartisan policy research institution focused on the four main policy areas that shaped Senator Tom Harkin’s career: labor and employment, people with disabilities, retirement security, and wellness and nutrition.

The Harkin Institute aims to improve the lives of all Americans by giving policymakers access to high-quality information and engaging citizens as active participants in the formation of public policy.

The Harkin Institute conducts research in our four policy areas and hosts events like the Harkin International Disability Employment Summit and the Harkin on Wellness Symposium. THI also provides educational opportunities for students and offers a fellowship program that brings together diverse, insightful professionals to facilitate cooperative, high-quality, nonpartisan research, analysis, and education.

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