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Whose Security?

What Social Security Means to Children and Families

Nancy K. Cauthen

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The National Center for Children in Poverty identifies and promotes strategies that prevent child poverty in the United States and that improve the lives of low-income children and families.

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Means to Children and Families

by Nancy K. Cauthen

AUTHOR

Nancy K. Cauthen, Ph.D., is Acting Deputy Director at NCCP, where her current research examines the effects of state and federal policies on the ability of low-income families to achieve economic security. She also has written about the history of Aid to Families with Dependent Children (AFDC), Social Security, general assistance, and the Depression-era Works Projects Administration (WPA).

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Introduction

Despite the fact that Social Security provides more benefits to children than any other social program, recent debates about Social Security have ignored our nation’s youngest citizens. Over 5 million children in the United States benefit from Social Security, either directly as beneficiaries or indirectly as members of households that receive a monthly Social Security check. Social Security is not just a retirement program. It is also a family insurance program for workers, their spouses, and their children.

Social Security provides income support to disabled workers and their families, as well as to the survivors of workers who die. Nearly a third of Social Security beneficiaries receive support through the survivor and disability components of the program. These insurance protections have kept many middle- and low-income families from falling into poverty because of a parent’s death or disability.

This policy brief provides basic information about Social Security and describes the vital protections the program offers to workers and their families. It also poses questions that policymakers should consider as the debate over Social Security continues.

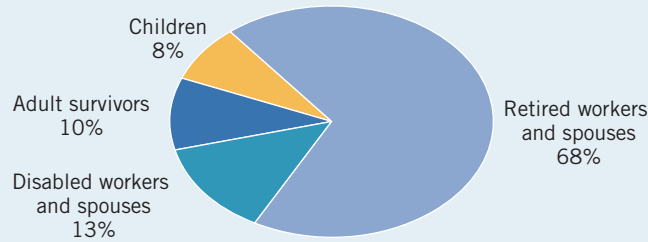
What is Social Security?

Although most discussions of Social Security focus on its retirement benefits, the program is more accurately described as a *family insurance program*.¹ The Old-Age, Survivors, and Disability Insurance program—what we call Social Security—was designed to assure “the security of the men, women, and children of the nation against certain hazards and vicissitudes of life.”² In other words, the purpose of Social Security is to provide families with some amount of protection from specific risks beyond their control—growing old, becoming disabled, dying and leaving family members without support.³

Of the nearly 48 million people who currently receive Social Security benefits, one in three is not a retiree. One in 15 is a child under age 18.⁴ Many more children benefit indirectly from Social Security because they live in a household where a parent or another adult is a beneficiary.

The 15 million Social Security beneficiaries who are not retirees include 6.7 million people—including 1.9 million children—who receive survivors’ benefits, i.e., they are family members of workers who have died. An additional 8 million people receive benefits because they were working and became disabled or because they are family members of a disabled worker; about 1.6 million of these beneficiaries are children. (See Figure 1.)

Figure 1: Social Security Beneficiaries by Type, December 2004



Note: Percentages may not add to 100 because of rounding.

Source: U.S. Social Security Administration, Office of the Chief Actuary. (2005). *Fact sheet on the old-age, survivors, and disability insurance program* <www.ssa.gov/OACT/FACTS/fs2004_12.html>.

Social Security was built on a promise across the generations: the current generation of workers contributes to the well-being of retired workers with the promise that they can expect the same when they grow older and leave the workforce. But Social Security was also built on the premise that hard-working people and their families should not be consigned to destitution simply because of misfortune, i.e., early death or disability.

How Does Social Security Affect Children and Their Families?

Social Security is an income source for a significant number of children. (See Table 1.) About 3.1 million children under age 18 receive benefits because a parent has died, retired, or can no longer work because of disability.⁵ Another 2.2 million children under age 18 live in households where at least one adult is receiving Social Security benefits.⁶ For example, in 2000, 4.5 million children lived in a household headed by a grandparent, and over a third of these households received Social Security benefits.⁷ In short, over 7 percent of American children currently benefit from Social Security.

In the aftermath of the September 11th attacks, most of the children who lost a parent, as well as the surviving parents who stayed home to care for these children, qualified for Social Security benefits. Most workers disabled in the attacks, and their children, qualified as well. The first checks were received on October 3, 2001—less than a month after the tragedy.⁸

Social Security is in fact the government's largest children's program, paying out roughly \$16 billion annually to child beneficiaries.⁹ More children benefit from Social Security than from the nation's primary cash welfare program, Temporary Assistance for Needy Families (TANF), or from Supplemental Security Income (SSI), a program that provides support to disabled people—adults and children—who are low-income. (See Figure 2.)

Table 1: How Many Children Benefit from Social Security?

	Number (in millions)
Child Beneficiaries by Age	
Children under age 18	3.1
Students aged 18 and 19	0.1
Disabled children aged 18 and over*	0.8
Total	4.0
Child Beneficiaries by Category of Eligibility	
Children of deceased workers	1.9
Children of disabled workers	1.6
Children of retired workers	0.5
Total	4.0

In addition to the 3.1 million children under age 18 who are direct beneficiaries, another 2.2 million children under age 18 live in families with a relative who receives Social Security benefits. In other words, over 5 million children under age 18 benefit from Social Security.

* Nearly 760,000 severely disabled adults who became disabled before age 22 receive Social Security on the same terms as minor children, i.e., as dependents of deceased, disabled, or retired workers.

Sources: U.S. Social Security Administration, Office of the Chief Actuary. (2005). *Fact sheet on the old-age, survivors, and disability insurance program* <www.ssa.gov/OACT/FACTS/fs2004_12.html>; Hill, C. & Reno, V. (2003). *Children's stake in Social Security* (Social Security Brief No. 14). Washington, DC: National Academy of Social Insurance.

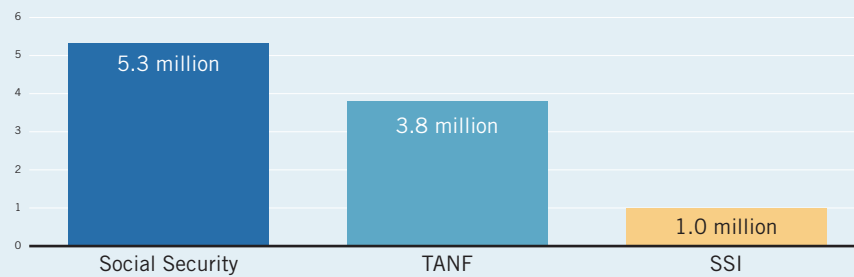
In addition, Social Security pays benefits to nearly 760,000 adults who have been severely disabled since childhood and who initially qualified for Social Security benefits as children (i.e., as dependents of deceased, disabled, or retired workers). Social Security provides income support for life to such adults.¹⁰

Survivor and disability protection through Social Security is widespread. Ninety-six percent of all U.S. workers hold jobs that are covered by Social Security.¹¹ About 97 percent of workers aged 20 to 49 in covered employment have acquired survivor protection for their spouses and children. And about 91 percent of covered workers aged 21 to 64 have worked long enough to acquire long-term disability protection through Social Security.¹²

Most younger workers, especially those who are not yet parents, probably don't worry much about whether they have disability or life insurance. However, according to Social Security Administration statistics, three out of ten 20-year-olds will become disabled before retirement. And one out of seven 20-year-olds will die before retirement.¹³

Social Security is the primary, if not the only, source of life and disability insurance for many American families, especially those headed by younger workers. Just over half of workers in the private sector have employer-provided life insurance. Even fewer workers have long-term disability insurance coverage through their employers. Not surprisingly, private coverage is more prevalent for upper-income workers than for blue collar or service workers.¹⁴

Figure 2: Number of Children Under Age 18 who Benefit, by Program Type



Sources: U.S. Social Security Administration, Office of the Chief Actuary. (2005). *Fact sheet on the old-age, survivors, and disability insurance program* <www.ssa.gov/OACT/FACTS/fs2004_12.html> and Hill, C. & Reno, V. (2003). *Children's stake in Social Security* (Social Security Brief No. 14). Washington, DC: National Academy of Social Insurance; U.S. Department of Health and Human Services, Administration for Children and Families. (2004). *Characteristics and financial circumstances of TANF recipients* (6th Annual Report to Congress) <www.acf.hhs.gov/programs/ofa/annualreport6/chapter10/chap10.htm>; U.S. Social Security Administration, Office of Policy. (2005). *Monthly statistical snapshot: Supplemental Security Income benefits, December 2004* <www.ssa.gov/policy/docs/quickfacts/stat_snapshot/>.

Most employer-provided coverage does not offer nearly the degree of protection that Social Security does. In 2001, Social Security provided a young worker with a young spouse and two young children the equivalent of a life insurance policy with a face value of about \$403,000 and a long-term disability insurance policy with a face value of \$353,000.¹⁵

What are the Effects of Social Security on Child Poverty?

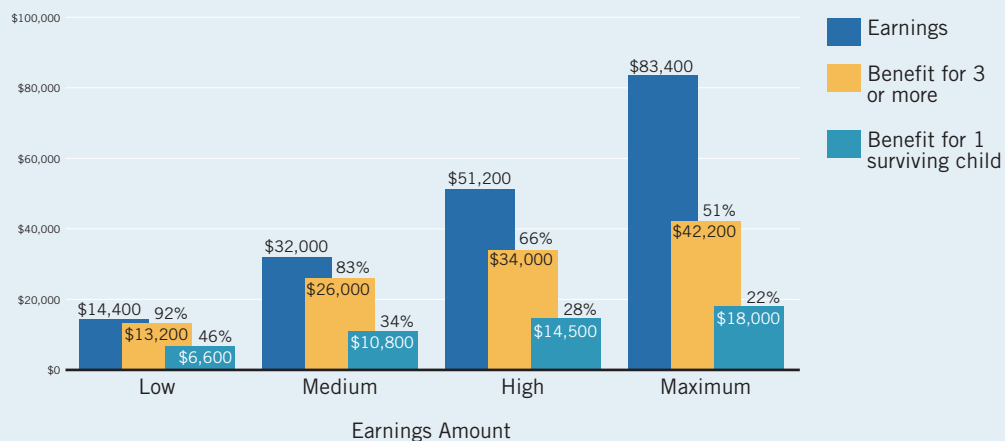
Most children who receive Social Security live in families with other sources of income (primarily earnings). Nonetheless, Social Security comprises a substantial share of total income for the families of child beneficiaries—43 percent on average.¹⁶

The rationale for Social Security was to protect the most vulnerable adults and families from life's most tragic risks, including poverty. For families that rely on disability or survivors' benefits, Social Security can mean the difference between getting by and destitution. Here's an example from the Social Security Administration:

“...a 35-year-old worker who earns \$40,000 a year and who has a spouse and children could get about \$1,800 a month from Social Security if he or she became disabled. If that same worker were to die, his or her family could receive about \$2,300 a month from Social Security in survivors benefits.”¹⁷

In other words, Social Security would replace 54 percent of this worker's wages were he to become disabled. His annual benefit, \$21,600, would be \$2,750 more than the federal poverty level for a family of four. If he died, his family would receive 69 percent of his former wage, which is \$27,600 annually, and nearly \$12,000 more than the poverty level for a family of three.¹⁸

Figure 3: Social Security Benefits for Children of Deceased Workers Compared to Past Earnings, 2004



Note: For family of a deceased worker age 40 in 2004. The earnings level for the maximum worker does not equal the tax maximum in the year prior to entitlement due to the historical ad hoc increases of the tax maximum.

Source: Reprinted from Reno, V. P.; Graetz, M. J.; Apfel, K. S.; Lavery, J.; & Hill, C. (Eds.). (2005). *Uncharted waters: Paying benefits from individual accounts in federal retirement policy*. Washington, DC: National Academy of Social Insurance, p. 159, Figure 8-1 <www.nasi.org/publications2763/publications_show.htm?doc_id=212927>.

The percent of earnings replaced by Social Security varies by earnings level, with lower earners and their families receiving a higher proportion of past earnings than higher earners. This means that families of higher earners are eligible for higher benefits, but lower earners receive a greater degree of protection relative to prior earnings. (See Figure 3.)

The children who benefit most from Social Security are the children who are already at higher risk of suffering from the effects of living in a low-income family. One study found that the family income of child beneficiaries is, on average, 25 percent lower than for all children. The study also found that children who benefit from Social Security were less likely than other children to have health insurance.¹⁹

Children who benefit from Social Security are more financially vulnerable than other children for a number of reasons. First, three quarters of children of deceased workers live in female-headed families, as do 57 percent of children of disabled workers. Altogether, nearly two-thirds of child beneficiaries live in single-mother families whose incomes are typically lower than either two-income or single-father families.²⁰

Second, African Americans and Latinos are more likely than whites to need the survivor and disability protections that Social Security provides. Because African Americans are more likely than people of other racial/ethnic groups to die or to become disabled during their working lives, Social Security benefits are an especially critical income source for black children.²¹

“Social Security is not only an important resource for poor children; the program also prevents middle- and low-income children from falling into poverty.”

Although Latino children are less likely to receive Social Security benefits than children of other racial/ethnic groups,²² children comprise a larger proportion of African-American and Latino beneficiaries than of white beneficiaries. Data from the late 1990s indicate that 26 percent of African-American beneficiaries and 20 percent of Latino beneficiaries were children compared to 10 percent of white beneficiaries.²³

Child beneficiaries of Social Security are only slightly more likely than nonbeneficiaries to be poor,²⁴ but they would be at much greater risk of becoming poor were it not for the safety net that Social Security provides. Each year, Social Security keeps 1 million children out of poverty.²⁵ In other words, Social Security is not only an important resource for poor children; *the program also prevents middle- and low-income children from falling into poverty.*

What’s at Stake for Children and Families in the Current Social Security Debate?

When we think of Social Security only as an individual retirement program—rather than as an insurance program that protects workers, their spouses, and their children from risk—we lose sight of how the program affects families as a whole.

To date, discussions about Social Security have been couched almost universally in individual terms. Retirees are talked about as if they have no spouses, children, or grandchildren. In discussions about how young workers might fare under Social Security in the future, there is no acknowledgment that changes that might help them might also harm their parents or grandparents. One generation’s gain may mean another’s loss, particularly among those caring for children. Or, one generation’s loss may be compounded by another’s loss.

The generation that is perhaps the most immediately threatened by changes in Social Security, especially benefit cuts, is the current generation of parents. Today’s parents are stretched very thin—they worry about whether they can put away enough money for their own retirements and for their children’s educations. They would be further stressed if their own parents needed to rely on them because of reduced Social Security benefits. Policymakers need to understand that the effects of changing Social Security would ripple across the generations.

There are currently two major debates about Social Security. The first focuses on how to deal with projected shortfalls in the trust fund, predicted to occur in 40 to 50 years.²⁶ The most widely discussed proposal is to cut benefits for future beneficiaries. Second, policymakers have also been debating the merits of creating private accounts to replace part of the Social Security system. Although such accounts would exacerbate the projected shortfall, proponents argue that they would ultimately provide greater security.

But security for whom? What about child beneficiaries—how would they be affected? What about the surviving spouses of workers who have died? And what about disabled workers and their families? What about adults who became severely disabled as children? How would they be affected by benefit cuts? And if retirees' benefits are reduced, what financial burden would be passed on to their children, who are already struggling to provide for themselves and their own children?

In the current structure of Social Security, benefits for retirees, survivors, and disabled workers are based on a single formula.²⁷ Given this, how could benefit cuts for retirees not result in benefit cuts for other groups of beneficiaries without changing the entire structure of the program?

To date, there has been little discussion of how proposals for private accounts would affect Social Security beneficiaries who are not retirees. Younger workers who become disabled or die would not be able to accumulate sufficient assets in a private account to provide the same level of insurance protection currently offered by Social Security. How would the security of survivors and disabled workers and their families be assured under a system of private accounts?

In short, given the importance of the survivor and disability protections provided by Social Security, any responsible proposal for changing the program must address how nonretirees—that is, the children and spouses of deceased workers, as well as disabled workers and their dependents—would be affected. The future security of children and their families depends on it.

Endnotes

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3. For a comprehensive description of the Social Security program, see Watkins, M. P. (2004). *Social Security for the 21st century*. Seattle, WA: Economic Opportunity Institute.
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7. Generations United (2005). *The stake of children, youth, and their families in social security*. Washington, DC: Generations United <www.gu.org/GU-StakeChildrenSSFactSheet.pdf>.
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9. See U.S. Social Security Administration in endnote 4. Note that this includes benefits only for the 3.1 million child beneficiaries who are under age 18.
10. See U.S. Social Security Administration in endnote 4. To qualify, such individuals had to have become disabled by age 22. See U.S. Social Security Administration. (2004). *Benefits for children* (SSA Publication No. 05-10085). Washington, DC: U.S. Social Security Administration <www.ssa.gov/pubs/10085.html#who> (accessed February 10, 2005).
11. Workers who are not covered include state and local employees who are covered by other public retirement programs.
12. See U.S. Social Security Administration in endnote 4.
13. U.S. Social Security Administration, Press Office. (2005). *Social security basic facts*. Washington, DC: U.S. Social Security Administration <www.ssa.gov/pressoffice/basicfact.htm> (accessed February 10, 2005).
14. See Hill & Reno in endnote 6.
15. See Hill & Reno in endnote 6. The example is based on a 27-year-old male worker with average earnings, who has a 27-year-old spouse, a 2-year-old child, and an infant under age 1.
16. Newcomb, C. (2003-2004). Demographic and economic characteristics of families receiving Social Security. *Social Security Bulletin*, 65(2) <www.ssa.gov/policy/docs/ssb/v65n2/v65n2p28.html> (accessed February 10, 2005).
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18. Based on benefit figures and federal poverty guidelines for 2004.
19. See Newcomb in endnote 16.
20. Ibid.
21. See Hill & Reno in endnote 6.
22. Ibid. Some Latinos may not be able to receive Social Security benefits because they are undocumented immigrants. Most undocumented workers in the United States are Latino.
23. See Rawlston in endnote 1.
24. See Newcomb in endnote 16.
25. See Hill & Reno in endnote 6.
26. It should be noted that there is a lack of consensus among experts about whether a shortfall is inevitable. Many analysts have argued that even if the projected shortfall occurs, minor adjustments in the system could restore the solvency of the trust fund.
27. See Hill & Reno in endnote 6.