

STRENGTHEN SOCIAL SECURITY

...don't cut it.

Social Security Works for Children

Although it is most often associated with retirement benefits and the elderly, Social Security is also the nation's largest children's program, insuring about 98 percent of children against the loss of support in the event of the death or serious and permanent disability of a working parent,¹ and providing benefits to dependent children and grandchildren of retired workers as well. These protections are significant: a 30-year-old worker with a spouse and two children, earning \$30,000 a year, has earned the equivalent of roughly \$550,000 in life insurance protections, and roughly \$580,000 in disability insurance protections.² Social Security benefits are especially critical for the 11.6 percent of America's children who either receive benefits directly or live in households where part of the family income is provided by Social Security.³ And Social Security, always the strongest source of retirement income, will become increasingly important for today's children as they age, due to a looming retirement income crisis. Social Security should not only be protected for our nation's children; it should be expanded.

Why Social Security is Important for Children

In 2014, 4.3 million children received Social Security children's benefits, including children under the age of 18, adult children with disabilities, and students.⁴ The average annual benefit received by children in 2014 was \$7,222.⁵ Despite their modesty, these benefits are critical to the economic security of the families and children who receive them. Without Social Security, 1.1 million children would have fallen below the poverty line in 2014.⁶ In addition to its important anti-poverty protections, Social Security has several other features which make it especially vital to children:

- Social Security's benefits replace a higher percentage of the incomes of lower earners. These benefits, although modest, are even more important for children and family members of low-wage or part-time workers. In 2013, nearly half (44 percent) of the nation's children under age 18 lived in low-income households.⁷ For these children, Social Security's progressive benefit formula is especially important.
- Social Security will be increasingly important for future generations as the nation's demographics continue to shift and the United States becomes a majority-minority country. By 2020, a majority of the nation's children are projected to be non-White and/or Hispanic.⁸ Social Security is [particularly important for people of color](#). In 2012, Social Security benefits represented 90 percent or more of the incomes of over 2 in 5 (46.4 percent) Black beneficiaries ages 65 and over, and over half (52.6 percent) of the incomes of Hispanic beneficiaries the same age.⁹ With the growing diversity of the American population, future retirees may find themselves even more dependent upon Social Security's modest benefits to meet their healthcare and living costs.
- In 2012, nearly 3 in 10 children (28 percent) were being raised by a stay-at-home mother.¹⁰ Just over half (51 percent) of stay-at-home mothers care for at least one child age 5 or under.¹¹ Although caregiving can have adverse effects on individuals' lifetime earnings, many families

may have no other option—the average annual cost of a childcare center is above \$10,000, and increasing.¹² For married couples, Social Security’s spousal benefits can provide valuable support in retirement if time was taken out of the workforce to care for children. More broadly, Social Security’s progressive benefits are vital for children and families of unpaid caregivers..

- Higher education is increasingly critical to economic security. Since 1979 the income gap between a college and high school graduate has almost doubled, from \$9,690, to \$17,500 in 2013. At the same time, the average cost of attending college has more than doubled, while wages have remained stagnant, leaving many students with growing student loan debt, which may follow them into retirement.¹³ Unless these trends are reversed, many of today’s children will be even more reliant than today’s retirees on Social Security as a critical source of income in retirement.
- Social Security benefits are adjusted for inflation, so that they maintain purchasing power over time. This is especially critical for children who live in a household in which Social Security is the primary source of income. In 2013, 6 million children under the age of 18 depended on Social Security for financial stability.¹⁴ In spite of devastating life events or economic hardship, Social Security serves as a financial support for America’s children.

To Improve Social Security for Children, Expand Benefits

Although Social Security benefits are vital to the children who receive them, they are still too modest, and should be expanded. Fortunately, there are a number of policy options that would improve Social Security benefits for all Americans, including children:

- *Increase benefits across the board.* Although Social Security benefits have substantially reduced poverty among children, these benefits are still too modest. There are a variety of proposals that would increase monthly benefits for all Americans progressively.¹⁵ Low-income beneficiaries, especially children, would benefit most from such expansions.
- *Provide a caregiver credit.* Because some parents choose to be primary caregivers for their children, their Social Security benefits are especially impacted by time spent out of the workforce. A caregiver credit would ensure that when parents and other workers forgo wages to provide unpaid care, their Social Security benefits will reflect the value and importance of this unpaid work, both to their families and the nation’s economy.¹⁶
- *Expand Social Security to include paid family leave.* Social Security was created to empower workers to insure themselves and their families against periods of lost wages, and today it provides working families with vital income protection in the event of old age, disability, or death.. It should be further expanded to cover wages lost during temporary periods out of the workforce due to family caregiving duties and personal medical conditions. The expansion of Social Security to include family leave benefits would ensure that workers and their children do not face economic insecurity during these temporary periods without wages.¹⁷
- *Restore College/Vocational School Benefits.* Children that depend on Social Security benefits should continue to receive financial support while they remain in school, just as working parents seek to provide. Restoring these benefits would ensure that children who have lost the financial support of their parents as the result of death or disability will continue to receive Social Security benefits, designed to replace those lost wages while they are pursuing post-secondary education.

- *Eliminate the cap on payroll contributions and incorporate investment income.* Only 6.3 percent of working Americans have annual incomes over Social Security’s cap of \$118,500,¹⁸ meaning that a majority of Americans and their families make Social Security contributions on all of their earnings, compared to millionaires & billionaires, who stop contributing earlier in the year. Eliminating the payroll tax and incorporating unearned income would close Social Security’s long-range shortfall and help to finance benefit expansions for all beneficiaries including children.¹⁹

¹ Social Security Administration (SSA), “Survivors Benefits,” June 2015. <https://www.ssa.gov/pubs/EN-05-10084.pdf>

² Michael Clingman, Kyle Burkhalter, and Chris Chapman to Alice H. Wade, memorandum, “The Insurance Value of Potential Survivor and Disability Benefits for an Illustrative Worker—Information,” Social Security Administration, September 27, 2012.

³ Thomas Gabe, “Social Security’s Effect on Child Poverty,” Congressional Research Service, January 23, 2015. <http://www.pennyhill.com/jmsfileseller/docs/RL33289.pdf>

⁴ Social Security Administration (SSA), *Annual Statistical Supplement, 2015*, Table 5.F4, accessed March 21, 2016. <https://www.ssa.gov/policy/docs/statcomps/supplement/2015/5f.html>

⁵ SSA, *Annual Statistical Supplement, 2015*, Table 5.A1.4, accessed April 5, 2016. <https://www.ssa.gov/policy/docs/statcomps/supplement/2015/>

⁶ Kathleen Romig, “Social Security Lifts 21 Million Americans out of Poverty,” Center on Budget and Policy Priorities, November 9, 2015. <http://www.cbpp.org/blog/social-security-lifts-21-million-americans-out-of-poverty-0>

⁷ Low-income is defined as family income under 200 percent of the poverty threshold. Yang Jiang, Mercedes Ekono, and Curtis Skinner, “Basic Facts about Low-Income Children,” National Center for Children in Poverty, January 2015. http://www.nccp.org/publications/pub_1100.html

⁸ U.S. Census Bureau, “New Census Bureau Report Analyzes U.S. Population Projections,” March 3, 2015. <https://www.census.gov/newsroom/press-releases/2015/cb15-tps16.html>

⁹ SSA, *Incomes of the Population 55 or Older, 2012*, April 2014, Table 9.A3. https://www.ssa.gov/policy/docs/statcomps/income_pop55/2012/index.html

¹⁰ D’Vera Cohn, Gretchen Livingston, and Wendy Wang, “After Decades of Decline, A Rise in Stay-at-Home Mothers,” April 8, 2014. <http://www.pewsocialtrends.org/2014/04/08/after-decades-of-decline-a-rise-in-stay-at-home-mothers/>

¹¹ D’Vera Cohn, Gretchen Livingston, and Wendy Wang, “After Decades of Decline, A Rise in Stay-at-Home Mothers,” April 8, 2014. <http://www.pewsocialtrends.org/2014/04/08/after-decades-of-decline-a-rise-in-stay-at-home-mothers/>

¹² Katie Hamm and Carmel Martin, “A New Vision for Child Care in the United States,” Center for American Progress, September 2, 2015. <https://www.americanprogress.org/issues/early-childhood/report/2015/09/02/119944/a-new-vision-for-child-care-in-the-united-states-3/>

¹³ Social Security Works, “Social Security Works for Young Americans,” February 16, 2016. <http://www.socialsecurityworks.org/2016/02/16/social-security-works-for-young-americans/>

¹⁴ Center on Budget and Policy Priorities, “Policy Basics: Top Ten Facts about Social Security,” August 13, 2015. <http://www.cbpp.org/research/social-security/policy-basics-top-ten-facts-about-social-security>

¹⁵ For example, Senator Brian Schatz (D-HI) has proposed increasing the first bend point of the Social Security benefit formula by 15 percent—approximately a \$70 increase in monthly benefits for all beneficiaries. Senator Brian Schatz, “S.1940 – Safeguarding American Families and Expanding Social Security Act of 2015,” accessed February 18, 2016. <https://www.congress.gov/bill/114th-congress/senate-bill/1940?q=%7B%22search%22%3A%5B%22schatz%22%5D%7D>

¹⁶ For example, Representative Nita Lowey (D-NY) has proposed a caregiver credit that could be claimed by anyone spending at least 80 hours per month (up to 60 months) providing care to a dependent relative under the age of 12

or a chronically dependent individual. Representative Nita Lowey, “H.R. 3377 – Social Security Caregiver Credit Act of 2015,” accessed February 18, 2016. <https://www.congress.gov/bill/114th-congress/house-bill/3377?q=%7B%22search%22%3A%5B%22%5C%22hr3377%5C%22%22%5D%7D&resultIndex=1>

¹⁷ One proposal for paid family leave comes from the Social Security Works *All Generations Plan*, which would provide those who are insured for Social Security disability benefits up to 12 weeks of paid leave in the event of the birth or adoption of a child, a family member’s illness, or a personal illness. Nancy J. Altman and Eric R. Kingson, *Social Security Works! Why Social Security Isn’t Going Broke and How Expanding It Will Help Us All*, (New York: The New Press, 2015), pp. 221-222.

¹⁸ Nicole Woo and Cherrie Bucknor, “Over the Top: Who Pays More if We Raise the Social Security Payroll Tax Cap,” Center for Economic and Policy Research, February 2016. <http://cepr.net/images/stories/over-the-top-supplementary-tables.pdf>

¹⁹ Social Security Works, “High Earners Should Contribute Fair Share to Social Security: Policy Options,” April 2015. http://www.socialsecurityworks.org/wp-content/uploads/2015/04/High-Earners-Should-Contribute-Fair-Share-to-Social-Security-Policy-Options_FINAL.pdf