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Martin B. Tracy  
*University of Iowa*

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THE SOCIAL SECURITY CONTROVERSY: DOES THE  
SOLUTION IGNORE THE PROBLEM?

MARTIN B. TRACY, Ph.D  
Assistant Professor and Director,  
School of Social Work Gerontology Programs,  
The University of Iowa

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In 1982 the income levels of 18 percent of women age 65 and over were below the poverty line compared to 7.6 percent of men in the same age group (Kutza, 1982). The reasons for a higher incidence of poverty among older women are often correctly attributed to the generally unfavorable position of women in the labor market. A less frequently discussed contributing factor is the programmatic deficiency of old-age pensions under social security.

Two fundamental aspects of old-age pensions have been particularly unresponsive to meeting the economic needs of older women. These are: 1) relating income protection to paid employment; and 2) favoring the needs of families over those of individuals (Campbell, 1982). There is good reason to be concerned with the increasing impact that these program characteristics have on the benefit levels of a significant proportion of elderly women. From 1975 to 1983, for example, the average pension received by all women beneficiaries as a proportion of that received by men dropped

from 80 percent to 77 percent. Further, the average new award to woman in 1982 was 63 percent of the average new award to men compared to 72 percent in 1975 (Social Security Bulletin, 1983).

### The Solution is the Problem

In the past two decades there have been two basic approaches aimed at reducing poverty among older persons through the social security program. One approach has been to substantially increase the benefit levels of all pensioners. The other has been to improve benefits for certain population groups, including women. On the surface such an approach seems reasonable enough. The difficulty of reducing poverty among older women, however, arises from the tendency of these program revisions to perpetuate the structural characteristics of a system unsuited to meet the income needs of many women in today's society.

Specific reference is made to the treatment of women as dependents. It will be argued here that the concept of women as dependent wives of widows entitled to pensions on the basis of their husband's covered employment is a major deterrent towards the reform that would improve benefits to low-income working women and to non-paid homemakers. The social security solution to poverty among many older women has become the problem because it exacerbates the notion that persons with irregular paid employment patterns and homemakers are not entitled to the same income protection in old age as persons employed full-time who have "earned" their benefits.

### Recent Approaches to Reducing Poverty

In 1959 over one-third of all persons age 65 and over in this country had income levels below the poverty line. The primary effort to reduce poverty among older persons in the 1960s and into the 1970s was to increase old-age pension levels through a series of ad hoc across-the-board and benefit formula adjustments. In fact, the benefit formula used to calculate new awards rose by 53 percent from 1958 to 1971. This far exceeds the inflation rate of 34 percent over the same period. In the ten-year period following the 1972 adoption of automatic adjustments of benefits to changes in prices, the benefit formula rose another 100 percent (Annual Statistical Supplement, 1982).

There have also been several significant program revisions that improved benefits for women in this period. In 1965, for example, benefits were provided to a divorced woman if she had been married for 20 years (reduced to 10 years in 1979). Also in 1965 widows could become entitled to benefits at age 60 (lowered from 62) and the restriction that widows could not remarry without loss of benefit was removed. Women also benefited from a special monthly minimum benefit that was implemented in 1966 to ensure that all beneficiaries had at least a specified minimum income. (However, the provision was eliminated for all future beneficiaries in 1981.) In 1967 disabled widows benefits were provided at age 50. In 1972 the amount of widows benefits was raised from 82.5 percent of the deceased spouse's benefit to 100 percent. Finally, in 1983 benefit rates for deferred widow's benefits and disabled widows aged 50-59 were liberalized.

Both approaches, but particularly raising benefit levels, have unquestionably contributed to the reduction of the incidence of poverty among older women. From 1959 to 1982 the percentage of women age 65 and over with

income below the poverty line declined from 50 to 18 percent.

While this is a significant improvement, an 18 percent poverty level remains unacceptable. Further, the picture becomes more distressing when the poverty levels of black women and women living alone are considered. In 1980, 42 percent of all elderly black women had income below the poverty line. The poverty figure for black women living alone was 67 percent and 25 percent for white women living alone. If projected demographic changes are realized, the proportion of both the population groups will steadily increase in the future (Kutza, 1982).

Despite these disturbing trends in poverty among older women, much of the discussion over the social security program in recent years has centered on the often implied question of whether or not benefit amounts (and the poverty rates) have reached an acceptable level. The perception of a relative low incidence of poverty has been used to support the argument that some measure of retrenchment is appropriate. An argument that apparently became more palatable in the face of reduced program revenues. This seems to be the case even though the reduction in revenue is much more attributable to high unemployment rates and a worsening dependency ratio than to the level of benefits.

Many critics who deride any further increases in the level of benefits also express concern over the growth of pension payments to dependents and persons who are considered, at best, marginal contributors to the system. Such critics hold that benefits paid to these individuals erodes the insurance concept of a social security program based on "earned" benefits. In many ways, this position reflects a vision of a system that was designed to benefit families headed by

male breadwinners in the 1930s. While the need for dependent benefits was quickly recognized with the addition of wife's benefits in 1939, wives were essentially seen as just that - dependents.

This prevailing attitude has meant that, for the most part, program revisions and benefit increases over the years fail to reflect careful consideration of the sociological and technological changes that have taken place. To be sure, there have been a variety of provisions designed to redress conditions developing from unforeseen circumstances but, in general, the system remains rooted to a population conceptualized as one-earner male-headed families.

Social security provisions clearly have not adjusted to a labor market characterized by women with irregular work patterns in low paying jobs or to the rising proportion of women who are reliant on their own resources for income security in old age.

### Social Security Amendments of 1983

The absence of a sense of urgency for improving the fit between pension programs and the emerging changes in technology, work patterns, and demographics is reflected in the recommendations of the President's Commission on Social Security Reform. As one Commissioner, Mary Flavey Fuller, noted, the Commission could not address the issue of unintended inequities for women in the system due to the pressing priority of restoring its solvency (Report of the National Commission on Social Security Reform, 1983).

There were two basic reasons for keeping the focus of the Commission on the funding problems of the program. An obvious reason was the general consensus that specific

suggestions for addressing the shortfall in funds were needed to alleviate the growing popular perception that the system was going broke and would be unable to meet promised commitments. A second reason is the Administration's underlying perception that the fiscal crisis was largely the result of excesses in the system, including a deviation from its original role as an "insurance" system. This is reflected in numerous statements by Administration officials and supporting Congressional members suggesting that the shortage of funds was due to benefit levels that are too high, a retirement age that is too low, an early retirement provision that is too generous, and the addition of too many dependent or "welfare" provisions.

The Amendments that finally emerged indicate a prevailing viewpoint that it is inappropriate to take undue punitive steps or introduce long-term changes in the program at this time, with the exception of gradually raising the retirement age to 67 beginning in 2003. What is missing in the Amendments of 1983, is a commitment to come to terms with deep rooted issues that challenge the viability of the system, as well as its fiscal solvency. The current program is not structured to adequately cope either with an aging population or with other equally important sociological developments such as declining marriage rates and higher ages at marriage, rising divorce rates, and increases in one-parent families. Nor is it appropriately designed to meet pension needs arising from emerging labor patterns including the large number of women with minimum wages in the service industries and the growing trend towards part-time work, shared work, and flexibility in retirement options.

### The Foreign Experience

The problem with social insurance protection for women as it relates to demographics and the labor market is not unique to the United States (Fuchs, 1982; Gelber, 1975; Gordon, 1978; Paltiel, 1982). No country has found a completely satisfactory formula for balancing the needs of women against emerging economic and social realities along with limited resources. Other Countries have, however, at least recognized that substantive program revisions can and must be made to update their pension systems in line with the needs of women.

As in the United States, most social insurance or pension systems abroad are predicated on the mid-twentieth century notion of family dependency on a male breadwinner. The husband is insured against the risks of old-age, unemployment, accidents and sickness while his wife and children are protected by virtue of his status as an insured person. Emerging evidence of extreme financial difficulties of older women however, have rendered this restricted view as obsolete. The premise is slowly giving way to the idea that compensation must be provided for women with irregular work patterns, single women, and housewives.

In Canada and Europe there have been a number of new and innovative measures adopted that help cope with the problem of poverty among older women. One specific area of reform stems from the recognition that women should be rewarded in old age for the years that they spent as housewives. France, the German Democratic Republic, and Switzerland now credit women for their years of child rearing in calculating their pension awards (Peace, 1981). Acknowledgement of the value of homemakers is also evident in recent legislation in Israel and the United Kingdom that provides women who work in the home with protection from long-term disability (Zeitser,

1983). Pension entitlement criteria have also been modified for women as a means of permitting women with irregular work patterns to receive an earnings-related pension. In France, the Federal Republic of Germany, and the United Kingdom housewives have also now been given the opportunity to make voluntary contributions to the old-age pension system as a way of compensating for the years of absence from paid employment (Peace, 1981). A similar provision is currently being considered in Canada (Paltiel, 1982).

In cases of divorce, the concept of credit-splitting has been put into effect in Canada, and the Federal Republic of Germany. Under these measures, both spouses are credited with one-half of the total accumulated contributions acquired during the years of marriage.

Certain provisions not only serve to increase the future benefits of women but are conducive to strengthening the function of extended families, as well. Some nations, for example, are now crediting pension contributions to persons who leave paid employment to care for an elderly parent. Others provide a small cash allowance as partial compensation for persons who are caring for an invalid relative.

National programs of cash maternity benefits and maternity leave are considered a vital part of family income support policies in virtually all industrial nations, except the United States. Job protection under maternity leave serves to strengthen family ties while assuring the woman that her place in the labor force will be protected. The significance of such program to income security in old age is that it permits the mother to enter the labor force and begin a career without fearing a loss of income or termination of work if she starts a family, even as a single

parent. This tends to lead to higher pensions at the time of retirement.

The impact of these modifications on the incidence of poverty among older women is not well documented. Primarily, this is due to the newness of such provisions which has not allowed for an accumulation of sufficient data. The indications are that the credit-splitting and contribution credits for years spent as homemakers will have the most positive effect. By far the most promising measure for reducing poverty rates among older persons, however, is the universal non-contributory pension. Under this system, all residents or citizens are entitled to a minimum income payable at retirement. Currently, six nations have some form of universal pensions (Canada, Denmark, Finland, New Zealand, Norway and Sweden) (Social Security Programs Throughout the World, 1981). Typically, these nations also have retained an earnings-related pension funded by payroll contributions. This second benefit is payable in addition to the universal pension which is financed by general revenues. Although such an approach is referred to as a two-tiered or double decker system, a third level of private pension coverage is also generally encouraged.

It is important to note that many of the provisions designed to improve benefits for women, including refinements in two-tier systems, were adopted in the 1970s under fiscal and demographic constraints equal to or worse than those faced by the United States. For instance, in the period 1971-81 greater rates of inflation were experienced in Canada, Denmark, France, Sweden, and the United Kingdom. In addition, in 1980, the dependency ratio of older persons to workers had already exceeded projections for the United States in the year 2030. Austria, Belgium, and Sweden, for example, reached dependency ratios of 2.8, 2.7, and 2.7, respectively in 1980. The

ratio in both France and the Federal Republic of Germany was 3.1 in 1980 and 3.4 in the United Kingdom compared to 4.1 in the United States.

Faltering economies have led to some retrenchment in the European systems, particularly in the form of reduced rates of adjustment to wage and price changes and in increased payroll taxes. Nevertheless, adopting provisions that conform to new pension needs of women is being perceived as critical in preventing poverty among older women. In Canada and Europe, then, there is less of a tendency for the social insurance solution to income inadequacies in old age to aggravate the problem. This is reflected in their willingness to restructure program provisions aimed at eliminating the gaps in coverage for women with irregular work patterns, for single women, and homemakers. This approach is indicative of a growing acceptance that raising benefit levels and improving dependent's benefits alone do not address the pension needs of many women.

### Summary

In sum, the incidence of poverty among older women is an issue of major importance in all industrialized nations. In the United States, the Social Security program has been a primary instrument in the fight to reduce the poverty rates of covered workers but without recognition of special needs of the many women who, for a variety of reasons, fail to qualify for an adequate benefit amount. Raising benefit levels and improving dependency benefits have had a notable impact on the reduction of poverty among older persons in the past two decades yet, a significant proportion of women remain with inadequate income. Without sufficient action, this situation is likely to worsen as marriage rates decline and divorce

rates rise along with the entry of more women into low-paying trades and service jobs. All of which contributes to increased numbers of women living alone for longer periods of time with small pensions. Continuation of the traditional social security solution to the poverty levels of older women perpetuates a dependency based system and, consequently, ignores the development of women as independent labor force participants and heads of families.

A variety of feasible reform measures have been proposed by numerous scholars and experts including calls for credit-splitting, homemaker credits (Report of the National Commission on Social Security Reform, 1983; Campbell, 1982), and the adoption of a two-tier pension system (Ozawa, 1982). Many comparable provisions have already been implemented in Canada and Europe and merit much more serious consideration as potential ways of reducing the poverty of older women than is currently apparent.

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