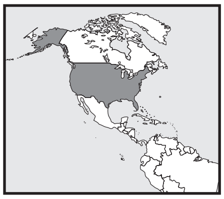
Social security: not yet social or secure



Many of the key social protection programs set up over the years in the US are being undermined today. The number of people with no health insurance has soared from 10 million to 48 million (a seventh of the population) since 1989, and public 'Social Security' pensions provide a poverty-level income for the elderly. However, despite the failure of the federal government to ensure social security for all, citizen-led organizing and resistance has led to innovative approaches at the state level.

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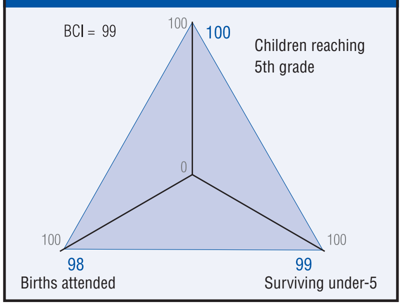
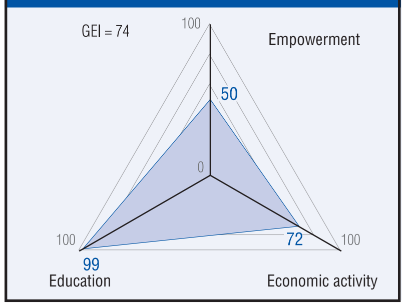


Gender Equity Index (GEI)



There are two different, but related, concepts of social security in the US. The first and most common reference is 'Social Security', which is written in capital letters and is a specific federal plan that provides small pensions for US citizens when they retire from work. More broadly defined and applied, 'social security' speaks to the question of what it means to provide the kinds of social and economic supports that members of society require: health care, income support, employment, unemployment insurance, access to education, child and eldercare, retirement and other safety net and anti-poverty measures. This chapter looks at several of these aspects of social security and provides a glimpse of how far the US, despite its wealth and power, has strayed from a national policy agenda that promotes true social security and the impacts of this troubling trend.

Brief historical background

The Social Security Act was passed in 1935 as part of President Franklin Roosevelt's New Deal. It was the first national social security program established in the country, and included federal unemployment compensation, retirement insurance, and federal grants for children, the elderly (over 65) and the disabled to receive health services and vocational training. Since then, the Social Security Act has been amended to provide expanded benefits for workers and retirees. In 1965, Medicare and Medicaid were established to provide health care for those over the age of 65 and the poor, respectively. These programs have provided important social protections in the US. However, many of these key programs that were set up over the years are being undermined today.

One seventh of the population has no health insurance

As one of the richest countries in the world, it is difficult to understand why health care and other social services are not available to the entire population. In fact, the number of uninsured is shockingly large and has substantially increased over the last two decades, going from 10 million to 48 million (a seventh of the current population) between 1989 and the present (Battista and McCabe, 1999; Weisberg, 2007). Concomitantly, government-led attempts to fill the gaps in access, such as Medicaid and Medicare programs from the 1960s, have been consistently eroded, even as indicators of infant mortality and life expectancy have deteriorated, as compared with those in other industrialized economies.

The lack of health care provision is perhaps the most contentious public policy issue beside the war on Iraq. Presidential candidates for the 2008 national election are currently putting forth their proposals to reform health care in light of a furious US public. They are furious because health care services consume 16% of GDP, the highest proportion in the world (WHO, 2006), yet much of the money spent does not reach the people who need it most: the elderly, the poor and minorities. For example, seniors on Medicare who spend USD 3,160 yearly on prescription drugs end up covering 66% of the costs themselves (Public Citizen, 2004).

So where is the money going? A large chunk of it goes to the Health Maintenance Organizations (HMOs), the pharmaceutical and insurance companies that now control the health industry. A series of mergers and acquisitions have led to unprecedented concentrations of power and influence. Companies are spending record resources to influence policy in favor of their business interests. The HMOs and pharmaceutical companies are actively engaged in lobbying political leaders. For instance, the Center for Public Integrity found that the pharmaceutical and health products industry spent more than USD 800 million in federal lobbying and campaign donations at the federal and state levels to support industry-friendly regulatory policies from 1998-2005 (Ismail, 2005).

Many HMOs are selective of who they will insure and often reject those who need coverage, as a means of reducing costs and increasing profits. Moreover, certain groups are hit much harder than others when it comes to lack of health care coverage. African Americans, Hispanics, the poor and women suffer disproportionate impacts under the current health care system. It is a challenge to find up-to-date statistics on minority groups. However, in 2004, statistics indicated that African Americans were 35% more likely to die of cancer than Caucasians, due in no small part to the fact that 20.1% of African Americans were uninsured compared to just 10.7% of Caucasians. Lower income levels amongst minority groups (47% of working adult Hispanics and 44% of working adult African Americans were living below the poverty line when the study was carried out) make them less likely to receive employee health care and less likely to be able to afford it on their own (HPIO, 2004).

According to the Kaiser Women's Health Survey taken in 2005, 23% of women on Medicaid (almost one in four) have been turned away by physicians as opposed to 13% of insured women. Hispanic women have three times the uninsured rate of white women (38% vs. 13%) (KFF, 2005).

The common connection between all of these groups is their economic status: both minorities and

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women make less money than Caucasian men and are therefore less likely to receive employee health insurance or be able to cover the cost of insurance by their own means.

Growth in GDP and productivity not matched by wages

Income and employment are fundamental determinants of people's social security as well. While GDP has risen steadily in the recent past, and overall income is up correspondingly, the distribution of income has also worsened in recent years. In 2002, the top 20% of US income recipients received 49.6% of US income (average USD 160,000), while the bottom 20% received 3.4% (average USD 11,000) (Denavas-Walt *et al.*, 2002). This means that the top 20% on average had 15 times the income of the bottom 20%. Meanwhile, 37 million people or 12.6% of the US population live in poverty (US Census Bureau, 2005).

Over the 1995-2005 period, the output of goods and services per hour of work (productivity) grew at a remarkable rate of 33.4%. However, there has been basically no wage improvement for typical workers since 2001, even though half the productivity growth from 1995 to 2005 occurred since then.

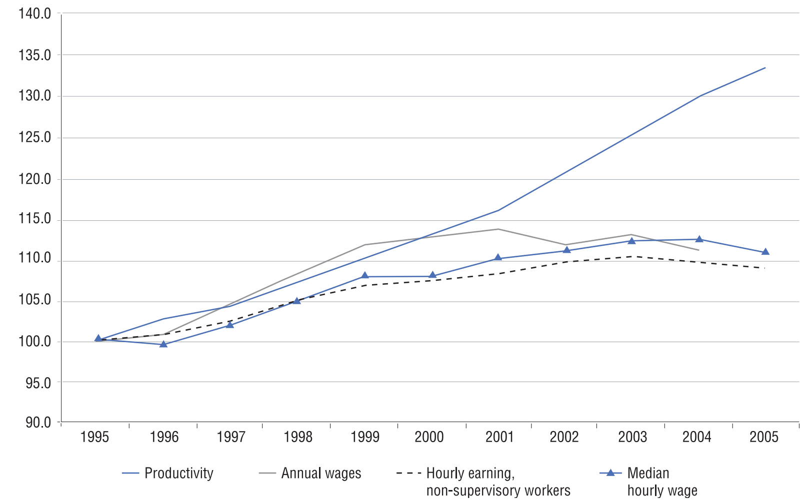
The current unemployment rate is 4.5%. The Hispanic unemployment rate is 40% higher than that of whites, the African American unemployment rate is twice that of whites, and the female unemployment rate is very slightly below the male unemployment rate. Adding in 'discouraged workers' (those who are not actively seeking employment but who are willing to work full time) and those who are working part time but would like to work full time raises the un- (and under-) employment rate to 8.2% (US Department of Labor, 2007). Unemployment compensation continues to provide maximum 39-week benefits for workers who are unemployed. While longer term unemployment is not covered, in periods of high unemployment, the benefit period has been extended.

Employees bear burden of securing retirement income

A key element of social security is providing for retirement and old age. Today, Social Security[2] retirement benefits – though much greater for high income people than low – provide only a basic contribution to retirement income and must be substantially augmented from other sources, principally personal savings. For the working poor, Social Security does provide an income, but one which, in the absence of pensions or savings, can reinforce poverty and even deepen it. For example, someone who earned USD 20,000 a year immediately before retiring would receive Social Security benefits of about USD 9,000 per year.

Because of the shift toward private pensions in recent years, middle to low-income employees have an increased burden to secure their retirement. Formerly, employees received pension income based on a certain number of years of work and based on a certain salary ('defined benefit' system). Today, employers make a contribution (usually small, such as 3% of an employee's wages) and employees are responsible for investing the rest ('defined contribution' system). Since many workers often do not earn enough to pay their bills, and thus have no savings and no money left over to invest in pensions, this system hurts the employee in the long run. The fact that corporations are often able to elude their pension obligations when they restructure or go into bankruptcy further undermines the employee's security.

FIGURE 1. Changes in hourly and annual wages and productivity, 1995-2005



Source: Economic Policy Institute, State of Working America 2006/2007.

Insufficient efforts to provide for the poor

The US enacts a minimum wage (as do individual states) that tries to establish a floor for what can be paid as a wage by firms. Until this year, the minimum wage for the past 10 years has been USD 5.15 an hour (in contrast, the wage paid to federal workers has been raised every year over that period). With inflation, this has meant a 26% decline in the real minimum wage over the period. In 2006, the (official US) poverty level for a family of four was USD 20,000 a year. With a 40-hour work week, a family of four with one minimum wage earner would earn USD 10,300, only half of the poverty level.

In 2007, the US Congress voted to raise the federal minimum wage in steps over the next three years, from the current USD 5.15 to USD 7.25 in 2009, giving low-wage workers their first boost in a decade. Although the victory will give 13 million workers a USD 2.10 hourly raise, it is not indexed to inflation, which has historically risen at a much faster rate (ACORN, 2007). Moreover, the new minimum wage will result in earnings of USD 14,500 annually for one wage earner – still far below the poverty level.

The three principal programs that provide income for poor people are the Earned Income Tax Credit, the Temporary Assistance to Needy Families program, and the Food Stamps program.

The Earned Income Tax Credit is the mechanism through which, by filing a tax return, low income people and families can receive an income supplement. For a family of four – husband and wife and two children – with only one parent earning the current minimum wage of USD 5.15 an hour, the annual family income would be USD 10,712, which would qualify the family for a USD 4,290 earned income tax credit. This is not enough, unfortunately, to lift the family of four above the poverty line (Holt, 2006).

In 1996, the Temporary Assistance to Needy Families (TANF) program replaced the Aid to Families with Dependent Children program, which had been in existence since 1935. The TANF program provides block grants to states to provide assistance to needy families. States have discretion on how to use the funds. The number of TANF recipients fell substantially in the first five years of the program, in part due to a significant increase in the number of single parents who work, but also due to other factors, such as an inability of families to meet the regulations. Studies of families that stop receiving TANF assistance show that 60% of former recipients are employed – typically at poverty-level salaries between USD 6 and USD 8.50 an hour – while 40% are not employed. Lack of available child care can often keep single mothers from working, which is required to receive TANF benefits, for example. Other factors that undermine TANF's contribution to people's security include a five-year time limitation on benefits; permitting benefits to immigrants only five years after establishing legal immigration status; and a declining level of real funding for the program (Coven, 2005).

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2 'Social Security' is capitalized in this section as it refers to the retirement pensions and is traditionally written as such.

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UNITED STATES OF AMERICA

(continued from page 237)

Meanwhile, to receive 'food stamps' – vouchers that can be exchanged for food – people's net income must be below the poverty line (although there are some exceptions). The average benefit per person is USD 21 per week, or USD 1 a meal, an amount which is extremely difficult to live on. Families routinely find themselves with "more month than money." Approximately 21 million people receive food stamp benefits, about 57% of the 37 million people who live in poverty. Unfortunately, the food stamps do not have much buying power. Poor families in urban areas struggle to find healthy food because supermarkets are few and far between. In addition, 'junk' food is often cheaper and more accessible than fresh fruits and vegetables. Those without transport must find ways to get to the larger markets and return home with their groceries. Food justice, i.e. access to healthy and affordable food, is a continuing challenge for minority and low-income people in the US (US Department of Agriculture, n.d.).

In recent years, previously successful initiatives like the Special Supplemental Nutrition Program for Women, Infants and Children, which provides free or subsidized breakfasts and lunches for school-aged children, have come under increased budget pressure. This program has significant impacts in the areas of health, education and family well-being, since the meals it provides often represent the only meal of the day that some students receive.

Re-establishing a social agenda for the US

The good news is that despite the failure of the federal government to provide leadership, many states, in response to citizen-led organizing and resistance, are experimenting with innovative approaches at the state level. For example, the state of Massachusetts recently passed what some say is the first universal health care bill (Lee, 2007). California also passed a bill that is estimated to extend insurance to 6.5 million people (out of a total estimated population of 36.5 million). Many states have implemented successful Children's Health Insurance Programs.

Even as the George W. Bush administration has pushed for the privatization of federal retirement pensions based on the argument that money will dry up in the next 20 years, the US public, including congressional representatives from both major political parties, have rejected these efforts outright. In light of ongoing scandals where employees have lost their benefits as corporations seek to cut costs and boost profits, while at the same time, executive pay and benefits have reached historic and obscene levels, there is growing pressure to regulate corporations, enforce anti-trust law and create mechanisms that allow small and medium-sized businesses to be able to provide health and other benefits, while remaining competitive.

All of the examples of initiatives undertaken in individual states have the potential to be brought to scale nationally and are positive signs that raising the bar on social security, broadly defined, is an idea whose time has come. Addressing social security in the US offers great potential to address the race, class and gender disparities this report outlines and which continue to persist in every aspect of US life. ■

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