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The New York Times

Washington Edition

Washington and Baltimore: A shower or two, then dry, mild, high near 50. Tonight, clearing, low 30-35. Tomorrow, some sunshine, high near 50. Weather map appears on Page B11.

VOL. CLIV . . . No. 53,088

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SATURDAY, JANUARY 8, 2005

ONE DOLLAR

Women and Children First

By Michael C. Laracy

PBALTIMORE PROponents of Social Security reform, especially those looking for a way to pay for the huge costs of a transition to partial privatization, should keep in mind the law of unintended consequences. One of the ways being touted to find the money both to make the system more solvent and to finance the personal savings accounts proposed by President Bush would harm the spouses and children of workers who die before retirement.

Understandably, almost all of the debate about Social Security reform has focused on the effects on future retirees or on the federal budget deficit. This overlooks the role of Social Security as a life and disability insurance program, one that provides vital benefits to spouses and more than five million American children in families whose breadwinner died prematurely or became disabled. Benefit changes that may be tolerable for future retirees could have devastating consequences for these survivors.

When the federal government created both welfare and Social Security during the Great Depression, it envisioned welfare as a temporary pro-

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gram. Eventually, policy makers believed, Social Security would replace both welfare and the numerous underfinanced state programs for widows and orphans. They were wrong about welfare, but they were right about Social Security.

Today, more children rely on Social Security benefits for part of their family income than on Temporary Assistance for Needy Families, the nation's main cash welfare program. These benefits represent a substantial share

Social Security is
more than just a
retirement program.

of these families' total income for child beneficiaries. If someone earning \$32,000 a year, close to the national average, dies at the age of 40, annual benefits for his three children would be \$25,000, replacing roughly 78 percent of his earnings. That's not exactly comfortable, but it's a lot better than the federal poverty level, which is about \$19,000 for a family of four.

According to government actuaries, a young worker with average earnings, a young spouse and two young children has Social Security protection equal to a life insurance policy

with a face value of \$400,000 and a disability policy of about \$350,000. For the surviving children and their widowed parent, Social Security represents the difference between getting by and dropping into poverty and reliance on welfare.

That legacy may now be threatened. Some in the Bush administration have endorsed the idea of changing the way in which benefits are determined by linking benefit increases not to the rise in average wages, but rather to the rise in inflation.

Currently, workers' anticipated initial benefits rise each year in step with the national average wage. It's called wage-indexing, and it ensures that Social Security continues to replace about the same proportion of retirees' pre-retirement incomes from one generation to the next. But inflation increases slower than wages, so under the administration's preliminary proposal, Social Security benefits would fall over time.

This change would save the system trillions of dollars — yet it would also mean that over time the percentage of pre-retirement income replaced by Social Security would decline. Instead of replacing about 40 percent of wages for the average worker, as under current law, the replacement rate would drop slowly but surely over the next several decades, down to 22 percent by 2065. Instead of an annual benefit of about \$26,400 (in today's dollars), the average retiree or survivor would get just \$14,600.

Those in favor of personal accounts say that workers who invest wisely (and stay lucky) during the decades before they retire could make up much of the difference. While that argument may or may not be valid, it applies only to workers fortunate enough to make it to retirement. The surviving children and spouses of workers who die before they accumulate their nest eggs would get less. Because survivors' benefits are based on the same formula used to set retirement benefits, proposals to curtail future benefit increases would lower benefits for children unless specifically exempted.

Those benefits are vital. For many hard-working parents, Social Security's life and disability insurance is the only source of coverage for calamities outside their control. Only about half of private-sector workers have life insurance through their employers; for low-wage workers, private life insurance is a rarity and disability insurance is still rarer. If the government changes the way it calculates Social Security benefits, then millions of children would suffer when a parent dies without leaving them generous savings or life insurance.

It was only a decade ago that Congress enacted legislation to "end welfare as we know it." It would be a disaster if Congress were to reform Social Security in a way that would slowly swell the ranks of the poor and welfare-dependent with an army of "widows and orphans." □