NATIONAL WOMEN'S LAW CENTER
EXPANDING THE POSSIBILITIES

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STATEMENT OF JOAN ENTMACHER
VICE PRESIDENT AND DIRECTOR OF FAMILY ECONOMIC SECURITY
NATIONAL WOMEN'S LAW CENTER

NWLC SUPPORTS IMPROVEMENTS IN SOCIAL SECURITY FOR WOMEN

I'm pleased to be here today on behalf of the National Women's Law Center for the release of the report, *Strengthening Social Security for Women,* issued this morning by the National Council of Women's Organizations' Task Force on Women and Social Security. My remarks will focus on two of the proposals outlined in the report. First, reducing the real earnings penalty on Social Security beneficiaries: the nearly 100 percent tax on Social Security benefits received by some of the poorest older Americans, recipients of Supplemental Security Income. Second, improving the Social Security survivor benefit to reduce poverty among widows, the largest group of poor older women.

Social Security is vitally important to all of our older citizens – but it is especially crucial to women's economic well-being. Without it, more than half of all women 65 and older would be poor. But, even with Social Security, one out of five elderly women living alone – widowed, divorced, and never-married – is poor. In fact, the poverty rate among elderly women living alone is slightly higher than the current poverty rate among children.

We must strengthen and improve Social Security to reduce poverty among elderly women. And we can, as the report being released today shows.

Congress has just demonstrated that it can move with incredible speed to eliminate a non-existent penalty in Social Security: the earnings test for Social Security beneficiaries between 65 and 69. We challenge them to act, before the election, on the very real penalty faced by the poorest Social Security beneficiaries, the majority of whom are women. These are individuals whose income is so low that they also receive benefits through the Supplemental Security Income (SSI) program.

SSI is a means-tested program for the aged, blind, and disabled that serves as a safety net for those with very little income. According to SSI rules, only $20 of "unearned income"– which includes Social Security benefits – can be disregarded each month for the purpose of determining eligibility and benefit levels. Beyond this $20 "disregard," SSI benefits are reduced dollar for dollar for any Social Security benefits received.

This rule means that low-income Social Security recipients face a tax rate of almost 100 percent on their Social Security benefits. One hypothetical: Mary Williams worked in low-wage jobs for much of her life, paying Social Security taxes and earning a Social Security benefit of $512 per month. If she applied for SSI, she would receive a combined Social Security and SSI benefit of $532 per month: just $20 more than she would receive if she had never worked or paid a dime in Social Security taxes. And if Mary had savings of $2,500, she would be ineligible for SSI. The asset limit in SSI is $2,000 for a single person, $3,000 for a couple.

Congress can reduce this penalty, and reduce poverty among elderly women, by increasing the $20 per month SSI disregard. This figure was set back in 1972 and has never been increased. Simply adjusting it for inflation would increase the disregard to $80, and would increase Mary Williams' income to $592 per month. An even higher disregard would allow her to receive an income closer to the poverty level.

Increasing the SSI disregard and asset limits would have no impact on the solvency of the Social Security Trust Fund, although there would be an increase in the costs of the SSI program. Making these adjustments would reward work over a lifetime – and in a way that targets those most in need.

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In addition to these SSI improvements, the report released today outlines a number of options for improving Social Security benefits for women. My remarks will focus on one: improving the Social Security survivor benefit to reduce poverty among widows, who represent a large majority (59 percent) of all poor elderly women.

One reason for the high poverty rate among widows is the significant decrease in income, including Social Security income, when their husbands die. Under current rules, at retirement a husband and wife each receive a Social Security benefit. Upon the death of either spouse, the survivor receives just one benefit – the higher of his or her own benefit or the spouse's.

The survivor's benefit can range from two-thirds down to just one-half of the couple's benefit. It would equal two-thirds of the couple's benefit if the wife had been receiving a spouse or worker's benefit equal to 50 percent of her husband's. The survivor's benefit would equal one-half of the couple's benefit if the husband and wife had been receiving equal benefits because they had similar earnings histories. It is reasonable that the survivor's benefits are lower than the couple's benefit. But the Census Bureau's poverty thresholds for elderly households ($7,990 per year, or $666 per month for a one-person household, and $10,070, or $839 per month for a two-person household) suggest that an elderly widow or widower needs 79 percent of the income of a couple to maintain the same standard of living.

The proposal for improving survivor benefits outlined in the report, which is analyzed in more detail in a paper by the National Women's Law Center, is to increase the survivor benefit to 75 percent of the couple's benefit. This proposal would accomplish two very important goals. First, it would increase the Social Security income of widows, reducing poverty and hardship for this large and economically vulnerable group. Second, it would reduce the disparities that currently exist in the benefits received by the survivors of couples with similar lifetime earnings but with a different distribution of earnings between the husband and wife.

Here are some hypotheticals showing what this would mean for women.

Deborah Lewis spent some years working in the paid labor force and some years out, first caring for children and then for her mother. Her earnings averaged $500 per month, as indexed by the Social Security Administration. Her husband Steve's average earnings were $1,000 per month. When they retired, she received $450 per month in Social Security, and he received $613. This combined benefit of $1,063 per month was more than the $839 per month a couple needs to be above poverty. When Steve died, Deborah's survivor benefit equaled his benefit of $613 per month. That $613 represents just 58 percent of their combined benefit, and less than the $666 per month she needs for a poverty-level income. Under this proposal, she would receive 75 percent of their combined benefit, or $797 per month. This 30 percent increase over her current benefit would be enough to raise her income above the poverty level.

Peggy Davis and her husband Joe both worked in a series of low-wage jobs throughout their lives. Each had average lifetime monthly earnings of $750. In retirement, they each received a Social Security benefit of $533 per month, for a combined Social Security benefit of $1,066. Their combined average earnings were the same as the Lewis's, and their combined benefits were just about the same. But when Peggy becomes a widow, she can receive only one of the two equal benefits – $533 per month. So Peggy's survivor benefit is only half of the couple's combined benefit and well below the poverty threshold. In addition, Peggy's $533 survivor benefit is much lower than Deborah Lewis's current law survivor benefit of $613, even though both couples' lifetime total earnings were similar.

Under the proposal we are suggesting, Peggy would receive 75 percent of the Davis' combined benefit, or $800 per month. That would represent a 50 percent increase over her current benefit. And her survivor benefit and Deborah's would now be about equal.

To control the cost of this proposal and target improvement on those who need it most, a limit could be placed on the amount of the survivor benefit increase. The report suggests that the limit be set at the level of the benefit that someone with lifetime earnings at the maximum taxable income level would receive. In 1998, that was $1,405 per month. Here is an example of how the limit would work:

When Jennifer Roberts and her husband Jason retired, she received $1,000 per month and he received $1,300 per month, for a combined benefit of $2,300. Under current law, as a widow, Jennifer receives a survivor benefit equal to Jason's: $1,300. Seventy-five percent of the couple's combined benefit would be $1,725. With a limit at the benefit of a maximum earner, Jennifer would receive that amount: $1,405. That is more than her current survivor benefit, but less than a full 75 percent. However, Jennifer Roberts and other widows of high earners are more likely than the widows of low and moderate earners to have other resources to supplement Social Security.

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Although improving survivor benefits is an important way to reduce poverty among elderly women, it is not sufficient. Never-married women and divorced women in less than 10-year marriages would not benefit from this increase, and their poverty rates are even higher than widows'. Other options for improving benefits – and for financing them – also are outlined in the report and will be addressed by other speakers.

We can reduce poverty among elderly women. And we should start now.

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SENATOR BARBARA MIKULSKI AND DEMOCRATIC WOMEN SENATORS URGE PRESIDENT CLINTON TO USE CHECK LIST WHEN PREPARING PROPOSAL FOR SOCIAL SECURITY REFORM

U. S. Senator **Barbara A. Mikulski** (D-MD) and the Democratic women of the U.S. Senate today sent a letter to President Clinton urging him to use a check list of six "must do" principles when evaluating any reforms to the Social Security program. The check list details six questions about the effects any proposed reforms would have on women and families that need to be answered before the women Democratic Senators will commit their support.

"We are absolutely committed to Social Security reform that protects women and families," said Senator Mikulski. "Anything short of that is simply unacceptable. We are taking a firm stand and will oppose any proposal that does not meet the criteria."

Senators Barbara Boxer (D-CA), **Dianne Feinstein** (D-CA), **Mary Landrieu** (D-LA), **Blanche Lincoln** (D-AR), and **Patty Murray** (D-WA) joined **Senator Mikulski** in signing the letter to the President.

The principles in the check list address the core issues that must be addressed during the debate on Social Security reform. These include Social Security's guaranteed, lifetime and inflation-protected benefits; protections for workers when they are disabled; maintaining Social Security's progressive benefit structure; strengthening Social Security's financing while protecting women; improving benefits to reduce poverty among older women; and ensuring that any reform plan that includes retirement savings options is carefully designed.

"We must use the budget surplus to preserve Social Security for future generations," said Senator Mikulski. "But we understand that reform is also necessary. We are committed to reforming the system -- but let's not retreat. This check list is so important because it gives us a way to judge the various reform proposals while ensuring reform does not take us backward."

Women rely on Social Security income more than men. Almost two thirds (63.7%) of all elderly women get half or more of their income from Social Security while almost one third (30.7%) of elderly women get 90% or more of their income from Social Security. Women also generally live longer than men. A 65 year old woman today can expect to live to 85, while a 65 year old man can expect to live to 81. Women make up 72% of all Social Security beneficiaries age 85 and above.

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