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LABOR CENTER REPORTER

INSTITUTE OF INDUSTRIAL RELATIONS

FEB 12 1982

UNIVERSITY OF CALIFORNIA
BERKELEY

REAGAN'S SOCIAL SECURITY CUTS

Number 32

March 1981

Reagan's proposed budget cuts, announced on February 18, contain two attacks on the Social Security system: elimination of the minimum benefit, and elimination of benefits to students who are 18 to 21 and are dependent children of retired, deceased, or disabled workers. Also Reagan's Task Force on Pension Policy and the President's Commission on Pension Policy (appointed by Carter) have recommended an increase in the normal retirement age from 65 to 68 over the next 20 years.

These cuts, along with the manufactured hysteria about Social Security's latest financial "crisis," should be viewed as part of an ongoing political attack on the system. In a later issue, the Labor Center Reporter will look further into the panic about funding, which usually stems more from political motives than from economic reality.

This issue of LCR will analyze Reagan's benefit cuts and the recommended increase in normal retirement age, which have already been translated into legislative proposals now before the Congress. If enacted, these proposals would adversely affect millions of people, especially black workers; and would weaken Social Security's progressive financial structure; and would force many people to apply for some form of welfare. Yet Reagan offers only cost savings as a justification for these proposals, in the context of an economic agenda fueled primarily by faith in the miracles expected from budget and tax cuts.

Raising the Retirement Age: Or, Blacks Get One Year, Whites Get Eleven

The main impact of raising the retirement age on current workers, by requiring three more years of work to collect full benefits, would fall on black families. According to actuaries, only 54% of nonwhite males (primarily black) who were born in 1976 are expected to reach age 65, compared to 70% of white males. The lucky black males who make it to 65 are then expected to live only four more years, to age 69. However, the white males who make it to 65 are then expected to live 13.9 more years, to age 78.9. If the proposed increase in retirement age were applied to current workers, therefore, the average black male's paid retirement period would be reduced by 75%, or from four years to one; while the average white male's paid retirement period would be reduced by only 22% from 13.9 years to 10.9. Further, a 20 year old black male in 1977 was expected by actuaries to live only to age 67 years and 2 months. In other words, he would have no paid retirement at all under Social Security.

The appalling differences in mortality rates adversely affect black families in other ways as well. For example, the higher proportion of black workers who do not live long enough to qualify for retirement benefits will at least have Social Security survivor's protection for their families. But recent studies by the Social Security Administration find that surviving black families usually have no form of income other than Social Security benefits--which aren't sufficient to keep them out of poverty. Also, compared to white males, more black husbands and fathers are disabled or die between the ages of 35-45, and their surviving families thus face longer periods of hardship.

Student Benefits

Under the present program, about 1.7 million children aged 18 to 21 receive student benefits, if they are attending school and if they are dependents of entitled workers. Elimination of these student benefits will have a relatively small impact on the Social Security budget, but it will have a drastic impact on the lives of most of these students. Again, the impact will fall disproportionately on blacks.

A 1979 Social Security Administration study found that black students were more dependent upon their benefits to stay in school (including high school students who planned to continue in a post-secondary institution). Blacks are also disproportionately represented in the student beneficiary population, because their entitled parents were more likely to have worked in low-paying blue collar occupations. "On the whole, these workers tend more than others to become disabled, or die young--factors that increase the likelihood that their children will be eligible for benefits" (from Social Security Bulletin, Sept.1979, pg.3). Thus, the elimination of student benefits will adversely affect access to education beyond high school, and especially so in the case of black student beneficiaries.

It should also be understood that student benefits are dependent's benefits, and not simply financial aid for education. The worker who earned entitlement to dependent's benefits is usually no longer able to provide support to his school-age dependent--and it is this handicap in the life of the child that is remedied to some extent by Social Security. Student benefits are important components of the nation's major insurance program offering protection to dependents and survivors of working people. Reagan's arbitrary elimination of such components of the interrelated Social Security program threatens the entire system.

Minimum Benefits

The minimum benefit has been an integral part of Social Security since its origin in 1935. It is intended to provide protection from poverty for covered workers who would otherwise receive insignificant benefits due to long work histories of low wages and/or long periods of unemployment. Elimination of the minimum will force many of these persons to apply for Supplementary Security Income benefits, or other general assistance programs requiring a means test. This proposal comes at a time when most states are reducing (or threatening to reduce) both SSI and general welfare programs. The minimum benefit is the key factor which makes the Social Security system progressive. Elimination of the minimum benefit would bias the benefit and finance structure towards high income workers at the expense of low wage workers. This feature may explain why it is targeted by Reagan.

The Reagan Administration argues that relatively well-off pensioners covered by other systems (especially federal civil service and the military systems) are able to "double-dip" into Social Security by qualifying for the minimum benefit with short periods of covered employment. However, double-dipping occurs because Social Security coverage is incomplete, and not because the minimum benefit exists. In fact, the final report of the Social Security Task Force on Universal Coverage (March 1980) recommended several methods to correct abuses of the minimum benefit short of eliminating it. These recommendations were ignored by the Reagan Administration. Congress should take them into consideration.

Conclusion

The poor and the middle-class, in which blacks are disproportionately represented, are expected to bear the brunt of Reagan's budget cuts. They also gain least from his proposed tax cuts. Yet even those cuts which are touted to be directed at higher income people, or at unnecessary expenditures are aimed at the low-income wage earners and their families. And the broad cuts of important social insurance programs contain gross racial inequities which are deliberately ignored or glossed over by the cost cutters. The hidden and covert economic effects of the Reagan program may prove more politically significant than any macroeconomic results of Reagan's current experimentation in budget and tax cutting.

- Teresa Ghilarducci

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