

Thinking About Privatization: Social Security's Core Principles

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The Social Security Administration estimates that 3 out of 10 of today's 20 year-olds will become disabled before reaching age 67. Seventy-two percent of the private sector work force has no long-term disability insurance. Of the current 47 million Social Security beneficiaries, 16% are disabled workers and their families. Disability beneficiaries typically have paid in less and need benefits sooner than retirees. It is irrefutable that the disability program and the people who depend upon it are an integral part of the Social Security insurance package and must be considered carefully when one evaluates the various proposals for privatization.

In a January 2001 report, the Government Accountability Office (then known as the General Accounting Office – “GAO”) reviewed five major reform proposals, including proposals for privatization, for their impact on disabled beneficiaries. *Social Security Reform: Potential Effects on SSA's Disability Programs and Beneficiaries*, GAO-01-35 (Jan. 2001). “The reform proposals would reduce insurance benefits while creating IAs [individual accounts], with the expectation that the income from an IA would largely offset reductions in the insurance benefits. In our estimates, the income from the IA was not sufficient to compensate for the decline in the insurance benefits that disabled beneficiaries would receive.”

As of this writing, we have not yet seen specific privatization plans from the Administration. When we do, it will be useful to measure them by the core principles of the Social Security Act. In October 2002, the Consortium for Citizens with Disabilities (CCD) Social Security Task Force testified before the Senate Finance Committee. The testimony, endorsed by NOSSCR, sets out essential principles which provide a good starting point for analysis of proposals:

- Maintains the OASDI programs as insurance programs;
- Ensures solvency of the Social Security Trust Funds and prevents substantial transition costs from affecting the rest of the federal budget;
- Ensures a benefit formula that does not force more people with disabilities into greater poverty;
- Provides protection against inflation;
- Protects disabled adult children and other family members with disabilities;
- Protects the disability insurance program from increased pressures caused by raising the retirement age; and
- Adequately considers the impact on people with disabilities.

The testimony strongly recommends that Congress only consider proposals that:

- Maintain the basic structure of the current system based on workers' payroll taxes;
- Preserve the social insurance nature of the disability, survivors, and retirement programs;
- Guarantee benefits with inflation adjustments;
- Preserve the Social Security Trust Funds to meet the needs of current and future beneficiaries;

- Necessary changes within the basic structure to bring the trust funds into long-term solvency must not be so drastic as to undermine or dismantle the basic structure of the program.

CCD also urged Congress to request a **beneficiary impact statement** on every major proposal, or component of a proposal, under serious consideration. “In a program with such impact on millions of people of all ages, it is simply not enough to address only the budgetary impact of change; the people impact must also be studied and well understood before any change is initiated. For people with disabilities, their very lives depend on such analyses.”

As the debate continues, look for links to information about proposals and available materials on NOSSCR’s web site.