DOES SOCIAL SECURITY TREAT SPOUSES FAIRLY?

Eugene Steuerle, Christopher Spiro, and Adam Carasso

IN 1939, POLICYMAKERS DESIGNED SPOUSAL benefits—intended as payment for nonworking wives—based on the traditional gender roles of a working husband and his dependent spouse. Although this model of the conventional family is quickly being replaced by the two-earner family, spousal benefits have changed very little since their inception. A number of inequities and distortions arise from maintaining benefits based on archaic notions of family structure.

The original idea was for a nonworking wife to receive her own benefit, equal to half her husband’s benefit; if left a widow, she received all of her husband’s benefit. Today, if both partners in a marriage work, the spouse who earns less is entitled to a benefit as a retired worker or as a spouse, whichever is larger. Thus, as two-earner families become the norm, which partner receives spousal benefits is a question of income, not gender.

However, spousal benefits continue to favor the conventional family model for which they were designed. Couples whose earnings are more evenly split (for example, one spouse earns $30,000 and the other earns $20,000) almost always fare worse than couples whose earnings are more lopsided (for example, one spouse earns $40,000 and the other earns $10,000). Consider an extreme example in which two couples each earn twice the average wage. In one, the husband earns everything; in the other, the husband and wife each earn the average wage.*

For the one-earner couple, the husband receives a retired worker benefit of $25,179 and the wife receives a spousal benefit of half that amount, $12,590, for a total family benefit of $37,769. In the two-earner couple, the husband and wife each receive $17,358, for a total family benefit of $34,716. When one spouse dies, the survivor in the one-earner couple receives a benefit of $25,179; in the two-earner couple, she or he receives only $17,358 (table 1). Taking into account life expectancy, the one-earner couple can anticipate lifetime benefits

TABLE 1.
Two Couples: Same Earnings, Different Benefits

<table>
<thead>
<tr>
<th>Benefits</th>
<th>One-Earner Couple, Worker Earns Twice the Average Wage</th>
<th>Two-Earner Couple, Both Earn the Average Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Both spouses living</td>
<td>$37,769</td>
<td>$34,716</td>
</tr>
<tr>
<td>One spouse living</td>
<td>$25,179</td>
<td>$17,358</td>
</tr>
<tr>
<td>Lifetime value of benefits</td>
<td>$549,694</td>
<td>$449,561</td>
</tr>
</tbody>
</table>

Source: Model developed by Eugene Steuerle and Adam Carasso, the Urban Institute, 1999.

*Couples retire at age 67 in 2032. Lifetime benefits are present value at age 65, adjusted for life expectancy and given in constant 2000 dollars. Couples are assumed to have two children.
that are 22 percent higher than those for the two-earner couple.

This structure distorts work behavior because working more, and therefore paying more Social Security tax, does not necessarily yield a higher benefit. For example, suppose a wife earns $15,000 a year and is entitled to $7,967 in Social Security benefits upon turning 65 in 2000; her husband earns $40,000 and is entitled to a benefit of $14,758. Because her spousal benefit would be $7,379, she receives only $588 in additional benefits for her labor. If her husband earns an extra $15,000—his salary rises to $55,000—his benefit increases by $2,250 and her spousal benefit becomes $8,504. In this case, she earns far more from her husband’s additional labor than she does from her own.

Spousal benefits might appear to be a fair way to compensate parents for raising children, but a closer glance quickly dispels this illusion. Since spousal benefits are greater for those married to higher earners, higher-income households in general get more for raising their children than lower-income households—producing the dubious result that child-raising in high-income households is somehow more valued by society.

Furthermore, spousal benefits are not even related to the raising of children. Consider an extreme case in which a single mother works while raising children and a wife does not work and has no children. The woman without children might receive a generous spousal and survivor’s benefit as a result of marriage, while the single head of household clearly receives nothing additional for raising children. Since the single mother is likely to have only modest income given her multiple responsibilities, she is also likely to receive a lower overall benefit than the wife. In this case, the person who is worse off—yet works more, pays more taxes, and raises more children—receives a lower benefit.

Social Security can be designed to provide greater protection for low-income spouses and low-income heads of household. A minimum benefit, for instance, might be a fairer, more efficient way to help elderly widows. Any additional benefit for raising children could be tied explicitly to years when children are present in the home. In sum, benefits should be granted to all spouses in a more equitable fashion, instead of continuing a system that favors wealthy spouses. Social Security’s benefit structure should accommodate the conditions and needs of today’s families.

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