Federal Budget Tip Sheet: Social Insurance and Earned Benefits

**Key Fact:** *Social insurance* is made up of programs that help workers and their families replace part of income lost due to unemployment, disability, retirement, or death, as well as ensure access to adequate health care. Every year, millions of Americans rely on programs like Social Security, unemployment insurance and Medicare. These programs will touch nearly all Americans during their lifetimes, as most people draw Social Security when they retire or rely on government-funded medical care in old age.

**Federal Spending on Social Insurance:** Social insurance and earned benefits are funded through *mandatory* spending. Unlike *discretionary* spending that is determined with the annual approval of Congress, mandatory spending is controlled through eligibility requirements and benefit levels specified in existing authorizing legislation. This makes benefits much more reliable (and expenditures more predictable) than if they were subject to annual appropriations decisions by Congress.

**Key Programs:** *Social Security* is a social insurance program that workers and their employers pay into. The program serves about 59 million people every year by providing retirement and disability benefits to workers and their families, as well as survivor benefits to the spouses and dependents of deceased workers. *Unemployment Insurance* is a federal-state social insurance program that provides temporary income to those who have lost their jobs through no fault of their own and who are ready, willing, and able to work. Another key social insurance program is Medicare. See [bit.ly/NPPhealthcare](bit.ly/NPPhealthcare) for more on federal health care programs.

**Social Security Is Not Going Broke:** Social Security is funded with a payroll tax that comes directly out of your paycheck, and it does not face an urgent funding crisis. Workers paying into the Social Security program directly finance Social Security benefits for current beneficiaries. With no changes at all, the Social Security program can pay all scheduled benefits through 2033, after which time it can pay 72 percent of scheduled benefits through 2088. Small changes to the program would fully secure its financial outlook.

**Ensuring Social Security’s Future:** Each year, Congressional lawmakers propose several options to improve Social Security’s long-term outlook. Recent proposals range from ways to raise more revenue to bolster Social Security’s long-term sustainability, such as allowing income over $117,000 to be taxed for social security, to ways of reducing social security benefits, such as raising the retirement age or giving smaller benefit increases for inflation (by measuring inflation using “chained CPI.”)

**Public Opinion:** Gallup polling indicates that Americans think Social Security and the economy should be top priorities for the federal government in the next year. As many as 90 percent of Americans want to maintain or increase Social Security spending and many want to do so by raising payroll taxes and making income over the earnings cap taxable. Currently, Social Security tax applies only to an individual’s first $117,000 in wage income.


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1 Average benefit is as of [May 2014](May 2014) and accounts all types of benefits, including retirement, survivor’s, and disability.
Average benefit is as of the first quarter of 2014.


Gallup Polling, Conducted Jan. 5-8, 2014.
