



Highlights of [GAO-05-706T](#), a testimony before the Subcommittee on Social Security, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

Before Social Security was enacted in 1935, at least half of those 65 and older in the United States were financially dependent upon others, including family members and public assistance. Today, the elderly's dependency on public assistance has dropped to a fraction of its depression-era levels, and poverty rates among this group are now lower than for the population as a whole. However, Social Security's long-term financing problems will require changes to restore fiscal stability to the program. The challenge for policymakers will be to make the necessary changes while retaining protections that are so important to millions of Americans.

The Chairman of the Subcommittee on Social Security of the House Committee on Ways and Means asked GAO to discuss the importance of Social Security for vulnerable populations. This testimony will address the key provisions in the Social Security program that support vulnerable populations, the ways in which those populations and American society in general have changed over time, and the implications of those changes for the Social Security program.

www.gao.gov/cgi-bin/getrpt?GAO-05-706T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barbara D. Bovbjerg at (202) 512-7215 or bovbjergb@gao.gov.

SOCIAL SECURITY

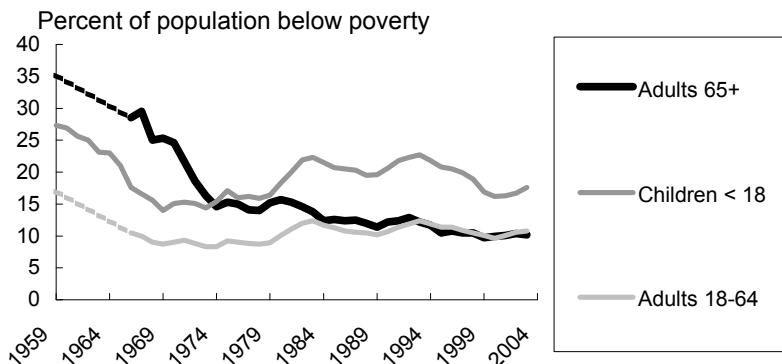
Societal Changes Add Challenges to Program Protections

What GAO Found

The Social Security program today continues to provide protection from poverty in old age just as it was designed to do 70 years ago. Social Security protects workers through a benefit formula that advantages low-wage workers, benefits for the disabled, spousal and survivor benefits, and a monthly annuity and yearly cost of living adjustment. At the same time, much in American society has changed greatly since the inception of the Social Security program. People are living longer, women's labor force participation has increased significantly and household composition has changed dramatically. In addition, labor force growth has slowed significantly, and the nature of work has changed in ways that affect workers' ability to save for retirement. These changes suggest that the Social Security system as it is currently designed may not be as effective as it could be in addressing the needs of our society. Some of the areas where changes in design could bring the program more in alignment with the current structures of work and families include encouraging older workers to remain in the labor force, addressing questions about the equity of spousal benefits, and redesigning the Disability Insurance program.

Given its long-term solvency problems, however, there are difficult decisions to be made about Social Security, largely because the program is so important to so many. In addition, the more immediate financial problems of the Medicare program also require attention. Policymakers will need to address the escalating costs of both Social Security and Medicare while recognizing that these programs are crucial to retirement wellbeing. Most importantly, the solvency and sustainability of Social Security should be addressed within the context of the program's role of protecting vulnerable populations, while at the same time considering how carrying out that role may need to change to better address changing societal needs.

Poverty Rates for Elderly Have Declined Faster than for Other Groups



Source: U.S. Bureau of the Census.

Note: Data for years indicated by dashed lines were not available but are available for 1959.