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Closing the income gap with stronger social insurance programs

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Conversations continue in Washington and on the campaign trail on the topic of inequality, whether it be a recognition of increasing income and wealth disparities, reassurance that things really aren't "that bad," or comparisons of the US to its neighbors across the Atlantic. As we think about solutions to these challenges, it's important to recognize the vital role traditional social insurance programs have played in creating a more just and fair society, and consider how we can best utilize these programs today to address growing inequality and promote economic security.

Universal social insurance programs such as Social Security, Medicare, Unemployment Insurance and Worker's Compensation remain largely intact and as essential to workers' economic security as when the programs were created. They are already critical tools in addressing and mitigating growing economic and health inequalities, and now is the time to take a closer look and explore how they might be strengthened to continue to align with challenges experienced by today's workers.

At the National Academy of Social Insurance, a nonpartisan nonprofit made up of leading experts in the field, we are working to begin a process, starting this January 27-28 at our annual conference, to explore the implications of growing inequality for social insurance programs. Our ultimate goal: Educating policymakers, the media and the public about the critical role of these programs in fostering greater economic security in the 21st century economy.

Social Security was created as part of a response to the economic inequality faced by Americans before, during, and after the Great Depression. During the next several decades, through the 1970s, Social Security and other social insurance programs including Unemployment Insurance, Medicare, Medicaid, and Workers Compensation – in conjunction with labor laws, the federal minimum wage, public investments in housing, education and infrastructure – formed a social contract between businesses, workers, and the government that encouraged quality jobs and high and increasing wages. Since the 1970s, however, economic and political shifts have occurred which have led to disparate growth in both earnings and investment income. Risks that were historically borne by employers or society as a whole, such as retirement security, have been shifted more heavily towards the individual. Universal programs that pool risk – i.e., social insurance programs – have become more important than ever.

These programs, which protect workers and their families from loss of income in the case of old age, disability, death or unemployment, are among the nation's most powerful anti-poverty programs, helping to ensure a minimum level of economic security for millions of Americans. But Social Security and other programs have themselves experienced financial challenges in recent decades, in part due to changes in the labor market, family structure and demography, but also due to slow and unequal wage growth. With a funding system that is tied to payroll taxes and contributions capped, the system no longer captures 90 percent of wages as it previously did. While recognizing the need to shore up its long-term solvency, the National Academy of Social Insurance sees widespread support for Social Security as evidence of the need to strengthen Social Security today, better adapting it to changes in the nature of family and work. Other social insurance programs, too, are affected by growing inequality, and themselves are in need of reform to better come to terms with contemporary social and fiscal challenges.

The Academy's mission is to bring together experts from both sides of the aisle to advance solutions to challenges facing the nation. While scholars of different ideological orientation may debate the causes of growing income and wealth disparities, and may disagree on many policy responses, we expect them to find some common ground on the implications of inequality for social insurance programs and on the need for policymakers to respond in ways the foster more broadly shared income, wealth and opportunity in the decades to come.

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