

Social insurance needs to be flexible going forward

John C. Rother

When Americans think of social insurance, we're likely to think of the nation's most successful social program — Social Security. Its terms have come to define our notion of social insurance: payroll contribution funding, benefits based on contributions, trust fund public accounting, and extra consideration for those with lower incomes. But those characteristics, even though successful and widely accepted, need not limit our thinking about the role of social insurance in the future.

In an economy where an increasingly substantial portion of income is not wage-based, where the gap between the very rich and everyone else has grown tremendously, and where lifespans have dramatically lengthened for some but not at all for others, we need to rethink how social insurance should adapt. In addition, the major threat facing most older people in the future will be the cost of health care, not hardcore poverty. Meanwhile the economy — long before the onset of COVID-19 — has been rapidly shrinking the ranks of workers who have lifetime career jobs and can count on a defined-benefit pension.

How can social insurance adapt to this new environment? Social Security's financing and benefits can be tweaked, but that alone will be totally inadequate to achieving any meaningful level of retirement security — let alone lifespan security — for future generations of Americans. A broader vision of social insurance is necessary.

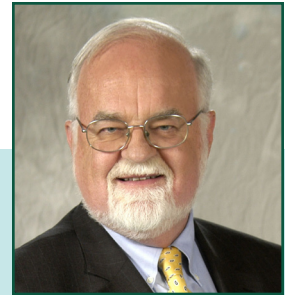
We need to start well before “retirement age,” whatever that still means. A combination of a higher minimum wage, more aggressive opt-out portable savings arrangements, and comprehensive health coverage and benefits for working-age people can build a foundation for successful aging. These won't all be social insurance programs, but together they will provide the necessary basis for stronger social insurance later in life.

Our goal needs to be a universal set of workforce and family security policies that can greatly strengthen risk protection through the life course. In other words, what successful European societies already have in place.

Stronger employment programs and policies, going beyond just anti-age-discrimination, are also needed. These would include promotion of part-time, second-career, and other work opportunities for people as they age.

The cost of health care will be the principal challenge to a secure future for everyone, but especially for older people with chronic conditions. And as we are learning today, good health and well-being over the life course is a function of many “social determinants” beyond just medical care.

Social insurance, more broadly imagined, could be a primary tool for dealing with these challenges. But we will need to think more creatively about what it means. Perhaps various forms of contributory financing other than payroll taxes could still preserve the “earned benefit” character of social programs. Carbon



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taxes, or value-added taxes, could still be seen as contributory by all. Perhaps universal benefits, combined with a progressive tax code, could preserve the universality of program benefits. And perhaps more aggressive use of program management, particularly in health care, could make our costly medical system more affordable by expanding Medicare's reimbursement limits to private insurance and using its purchasing power to lower pharmaceutical costs. In other words, what Germany does today.

Social insurance can be a powerful tool to better meet the challenges facing Americans — especially older Americans — now and into the future. To help fashion this new generation of programs and policies, we only need to open up our imaginations about how social insurance can adapt. And then help build the broad-based, generationally cross-cutting coalitions that will be needed to turn visions into reality within our currently battered and fractious political system.

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