



The Evolution of Social Security Initiatives for the Aged in United States of America (USA): A Review

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ABSTRACT

contemporary times

USA has very long history of social security system since the British colonial period followed by the American Civil War Pension Scheme, the Alfred Dolge Company Pension, and latter American Federal State Pension in 1930s. Further, it underwent many amendments. Still, the American social security is very important and comprehensive model in

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Introduction

Ageing is a universal phenomenon and a biological process, which occurs naturally to all the living organisms, and human beings are no exception to it. Ageing became one of the major challenges in the contemporary world due to moderate improvement in medical care, increasing life expectancy and proportionate increase of the elderly population. The elderly people constitute one of the most vulnerable sections of every society. They are not only physically weak but also economically dependent on others. Therefore, the issues and problems of the aged people have drawn the attention of state intervention for protective mechanism.

The United States of America (USA) is known as a "Liberal Welfare" regime, in the sense that it represents individualism, *laissez-faire*. The Federal system meant that many important functions are held by the states, including public assistance, social care and various health schemes. By comparison with other developed countries, federal government has had a limited role in social welfare provision. It was during the Roosevelt administration in the 1930s that the social welfare systems received impetus (Paul Spicker, 2001).

Further, the "War on Poverty" of the 1960s, provided some important benefits (notably, old age pensions and health care for people on low incomes); and engaged the federal government in a number of projects and activities at local level. In practice, the US is pluralistic, rather than liberal. There are extensive private, mutuality and corporate interests in welfare provision and the resulting systems are complex (and expensive) the guiding principle is less one of consistent individualism and "Decentralized Social Altruism" (Paul Spicker, 2001).

A. Social Security for the Aged in Colonial America

When the English-speaking colonists from Europe arrived in the new land (USA), they brought with them the ideas and customs they knew in England, including the "Poor Laws". The first colonial poor laws were made after those of the Poor Law of 1601. They were given local taxation to support the needy. They differentiated between deserving and undeserving the poor and all other relief responsibility was given to the local self-governments. No public institutions for the poor or standardized eligibility criteria would exist for nearly a century. The local town elders had the authority to decide who was worthy of support and how that support would be provided. As colonial America grew more complex, diverse and mobile, the localized systems of poor relief were strained (Federal Govt. of USA, Historical Background, 2010).

B. Civil War Pensions: America's First "Social Security" Program

There was one important precursor, which offered something Americans could recognize as a social security program to one special segment of the American population. Following the Civil War, there were thousands of widows and orphans, and thousands of disabled veterans. In fact, immediately following the Civil War, a much higher proportion of the population were dis-

abled or survivors of deceased breadwinners than at any time in America's history. This led to the development of a generous pension program, with interesting similarities to later developments in social security. The first national pension program for soldiers was passed in early 1776, prior to the signing of the Declaration of Independence. Throughout America's antebellum¹ period, pensions of limited types were paid to veterans of America's various wars. Nevertheless, it was with the creation of Civil War pensions that a full-fledged pension system was developed in America for the first time (Federal Govt. of USA, Historical Background, 2010).

The Civil War Pension program began shortly after the start of the War, with the first legislation in 1862 providing for benefits linked to disabilities 'incurred as a direct consequence of military duty'. Widows and orphans could receive pensions equal in amount to that which would have been payable to their deceased soldier if he had been disabled.

In 1890, the link with service-connected disability was broken, and any disabled Civil War veteran qualified for the benefits. In 1906, old age was made a sufficient qualification for benefits. By 1910, Civil War veterans and their survivors enjoyed a program of disability, survivors and old-age benefits similar in some ways to the later social security programs.

By 1910, over 90% of the remaining Civil War veterans were receiving benefits under this program, although they constituted barely 0.6% of the total U.S. population of that era. Civil War pensions were also an asset that allowed young wives to elderly to inherit the pensions as the widow of a war veteran. Indeed, there were still surviving widows of Civil War veterans receiving Civil War pensions as late as 1999 (Federal Govt. of USA, Historical Background, 2010).

In total, military pensions were an important source of economic security in the early years of the nation. In 1893, for example, the 165 million dollars spent on military pensions was the largest single expenditure ever made by the federal government. In 1894, military pensions accounted for 37% of the entire federal budget (Federal Government of USA, 2010). Although, America had a "social security" program in the form of Civil War pensions since 1862, the practice was not extended to the general society.

C. The Company Pension

One of the first formal company pension plans for the Alfred Dolge Company, a builder of pianos and organs, introduced industrial workers in 1882. Dolge withheld 1% of each worker's

The origin of word "antebellum" is from Latin phrase "ante" mean before and "bellum" mean war. The antebellum period in American history is generally considered to be the period before the civil war and after the War of 1812, although some historians expand it to all the years from the adoption of the Constitution in 1789 to the beginning of the Civil War.

pay and placed it into a pension fund, to which the company added 6% interest each year. Dolge viewed that providing for older workers as being a business cost like any other, arguing that just as his company had to provide for the depreciation of its machinery, he should also 'provide for the depreciation of his employees.' Despite Mr. Dolge's progressive ideas and his best intentions, the plan proved largely unsuccessful since it required a worker to spend many years in continuous employment with the company, and labour mobility, meant that relatively few workers spend their whole working career with one company. Not only was the Dolge Plan one of the first formal company pension systems in industrial America, it was also one of the first to disappear when the company went out of business a few years later.

In 1900, there were five companies in the United States, including Dolge offering their industrial workers company-sponsored pensions. By 1932, only about 15% of the labour force had any kind of potential employment-related pension. The pensions were often granted or withheld as per the discretion of the employer. Most of these workers would never receive a retirement pension and only about 5% of the elderly were getting retirement pensions in 1932 (Federal Govt. of USA, Historical Background, 2010).

D. the March of Coxe's Army²

The Great Depression of the 1930s was one of the important factors in the American history. During this period, unemployment was widespread and many Americans realised that in an industrialized society, the threat to economic security represented by unemployment could strike anyone even those able and willing to work. Protest movements arose the most quixotic and notable being, i.e. 'Coxey's Army' (Federal Govt. of USA, 2010).

Although his march failed, Coxey's Army was a forerunner of an issue that rose to prominence, as unemployment insurance became a key element in the future Social Security Act. Ohio continued to play an important role in the development of unemployment insurance, as its state program was one of the two looked upon as models for the new federal program the other being the program in operation in Wisconsin (Federal Govt. of USA, Historical Background, 2010).

E. Federal State's Old Age Pensions

In 1932, the Federal Government first made loans, then grants, to states to pay for direct relief and work relief. Following that, special federal emergency relief and public works programs were started. In 1935, President Franklin D. Roosevelt proposed in the Congress an economic security legislation representing the recommendations of a specially created Committee on Economic Security. Then followed the passage of the Social Security Act signed into law on August 14th 1935. This law established two social insurance programs on a national scale to help meeting the risks of old age and unemployment; namely, a Federal system of old age benefits for retired workers who had been employed in industry and commerce, and a Federal State system of unemployment insurance. Old age and unemployment as the risks to be covered by social insurance was a natural development, since the Depression had wiped out much of the lifetime savings of the aged and had reduced opportunities for gainful employment (The Social Security Act of 1935 & Federal

"Jacob Coxey was an unsuccessful Ohio politician and industrialist who, in 1894, called on the unemployed from all over the country to join him in an 'army' marching on Washington. Ten of thousands of unemployed workers started marches, but by the time Coxey and his group finally made it to Washington only about 500 hard-core believers remained. Coxey himself was promptly arrested for walking on the grass of the Capitol Building and the protest fizzled out. Coxey later became an advocate of public works as a remedy for unemployment and ran for president as the Farmer-Labor party candidate in 1932 and 1936. Coxey was also an ardent proponent of the free silver monetary policy and an opponent of the gold standard. Perhaps to demonstrate his earnestness on monetary issues he even named his son Legal Tender Coxey" (Federal Govt. of USA, 2010).

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The Act also provided Federal grants-in-aid to the states for the means-tested programs of Old Age Assistance and Aid to the Blind, which were replaced by the Supplemental Security Income program that was enacted in 1972. These programs complemented the incomes of persons who were either ineligible for Social Security 'Old Age and Survivors Insurance' (OASI) or whose benefits could not provide a basic living. The intent of federal participation was to motivate the states to adopt such programs. The law established other federal grants to enable states to extend maternal and child health and welfare services. These later grants became the Aid to Families with Dependent Children Program, which was replaced in 1996 with a new block grant program, Temporary Assistance for Needy Families. The Act also provided federal grants to states for public health and vocational rehabilitation services. Provisions for these grants were later removed from the Social Security Act and incorporated into other legislation (Federal Govt. of USA, Social Security, 2010:2).

Even before The Old-Age Insurance Program started functioning fully, certain significant changes were introduced. In 1939, Congress made the old-age insurance system into a family program when it added benefits for dependents of retired workers and surviving dependents of deceased workers. Benefits also first became payable in 1940, instead of 1942 as originally planned. No major changes were made again in the program until the 1950s, when it was broadened to cover many jobs that previously had been excluded, in some cases because experience was needed to work out procedures for reporting the earnings and collecting the taxes of persons in certain occupational groups. The scope of the basic national social insurance system was significantly broadened in 1956 through the addition of Disability Insurance (DI). Benefits were provided for the severely disabled workers aged 50 or older and for adult disabled children of deceased or retired workers (Federal Govt. of USA, Social Security, 2010:2 & Federal Govt. of USA, 2009).

In 1958, the Social Security Act was further amended to provide benefits for dependents of disabled workers similar to that of dependents of retired workers. In 1960, the age 50 requirement for disabled worker benefits was removed. The 1967 amendments provided disability benefits for widows and widowers aged 50 or older. The 1972 amendments provided for automatic cost of living increases in benefits tied to increases in the Consumer Price Index (CPI) and created the delayed retirement credit, which increased benefits for workers who retire after the full Federal Retirement Age (FRA) (Federal Govt. of USA, Social Security, 2010:3).

The 1977 amendments changed the method of benefit calculation to ensure stable earnings replacement rates over time. Earnings included in the calculations, were to be indexed to account for changes in the economy from the time they were earned. The 1983 amendments made coverage compulsory for newly hired Federal civilian employees and for employees of non-profit organizations. State and local governments were prohibited from opting out of the system once they had joined. The amendments also provided for gradual increases in the age of eligibility for full retirement benefits from 65 to 67, beginning with persons born in 1938. For certain higher income beneficiaries, benefits became subject to income tax. Amendments in 1993 increased the amount of benefits subject to taxation.

The 1996 amendments relaxed earnings limits for seniors who have reached the FRA (age 65-67, depending on year of birth). The 1999 amendments reformed certain provisions under the DI Program, specifically to create better incentives and supports for individuals to work. An amendment passed in April 2000 (Public Law 106-182) eliminated the earnings limit for seniors who have reached the FRA, effective for the year 2000 (Federal Govt. of USA, Social Security, 2010:3).

F. Social Security during George W. Bush Period

In his inaugural address, President George W. Bush announced

his intentions to reform Social Security and Medicare. On May 2nd 2001, the president announced the appointment of his Social Security Commission called the "President's Commission to Strengthen Social Security". The Commission issued its final report in December 2001 (Federal Govt. of USA, Historical Background, 2010).

At the beginning of his second term, President Bush clearly stated that social security reform would be a top priority of his administration. Although the President tried to introduce changes in social security, none were enacted into laws during the President's second term. There were several relatively minor legislative changes enacted into law during the period 2001-2008. Among these were³: (Federal Govt. of USA, 2010).

G. Social Security during Obama Period

On 17th February 2009, the President signed, the 'American Recovery and Reinvestment Act of 2009' (Public Law 111-5). This law included an additional 1 billion dollars to the Social Security Administration budget, 500 million dollars of which was to be used to replace the National Computer Center, and the information technology costs associated with such centre and \$500 million for processing disability and retirement workloads, including information technology acquisitions and research in support of such activities. The bill also provided a special one-time economic recovery payment of \$250 to adults who were eligible for benefits from one of the four following federal benefit programs: Social Security, Railroad Retirement, Veterans Disability, and Supplemental Security Income (SSI) (Federal Govt. of USA, Historical Background, 2010).

On September 18, 2009, the president signed into law, H.R. 3325, which became Public Law 111-64. This legislation extended through the fiscal year 2010, funding authorization for the Work Incentives Planning and Assistance program and the Protection and Advocacy for Beneficiaries of Social Security program. On December 15th 2009, President Obama signed H.R. 4218 the 'No Social Security Benefits for Prisoners Act of 2009', which became Public Law 111-115 (Federal Govt. of USA, Historical Background, 2010).

Conclusion

However, USA has successfully introduced many acts, reforms, policies and programs related to old age social security it's since colonial times. It is general trend that the post-1990s the world order has changed and neo-liberal trends are forcing every nation state to bow to Liberalization Privatization Globalization (LPG) forces in the contemporary world order. As a result, the notion of welfare state has gradually changing its nature, and private sector has taken away the means of production with the sole aim to make profit as much as it can. Therefore, it results in the corporatization of pension policies, insurance, and health care system in USA in contemporary times.

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