

Social security research paper

[Law](#), [Security](#)



Social Security

The US social security system is a system that caters for the financial need of the poor and unemployed in the United States of America. It is funded and administered by the government. Until recent times, the federal government has administered the social security scheme but however, in 1996, a reform of the law was passed by the congress and control of the funds was given to the states.

Adequacy

Horizontal: the social security attempts to reduce poverty among the elderly by providing more benefit to the retirees who need them most (Panis & Lillard, 1996).

Vertical: there is significant difference in the rates of return that socioeconomic groups earn on contributions made on social security, which leads to a situation whereby some groups get more benefit than other groups (Panis & Lillard, 1996).

Financing

Equitable: due to the increase in life expectancy since 1940, people who live longer have been receiving the same amount of annual benefit meaning that they are receiving a larger monetary benefit from the program overall. This would lead to a deficit in the future because the money available to service the social security would be inadequate and need to be augmented.

Priority use of funds: the social security fund is only meant for the use and benefit of the individual (Social Security online, 2010). The proper use of the social security fund is for the current and foreseeable need of the individual

or saved and invested for the beneficiary after current needs have been met. Moreover, part of the benefit may be used to support a legal beneficiary of the individual provided the needs of the social security beneficiary have been met (Social Security online, 2010). In addition, for beneficiaries who are institutionalized, part of the social security funds may be used to support the spouse or any dependent member of the family (Social Security online, 2010).

Cost and benefit: the social security program receives income from three sources. The payroll tax contributions which equal 12.4% of individual earnings, the interest payments on the trust fund contributed by the United States Treasury bill rate and the income tax benefits collected by the Inland Revenue Service and later transferred to the trust fund (Panis & Lillard, 1996).

Cost – benefit analysis: in order to maintain solvency of the social security scheme, such proposals as raising level of maximum taxable income, increasing the retirement age, reducing the cost of living adjustment and changing the benefit formula have all been proposed in order to maintain the sustainability of the scheme (Panis & Lillard, 1996).

Coherence: the social security system is made up of benefits such as the disability benefit, medical aid and unemployment benefits.

Latent Consequences: discrepancies identified in the implementation of the social security model occasioned by changing demography including age composition and increase in life expectancy needs to be addressed now in order not to create a deficit for the continued implementation of the scheme

in the future.

Social justice: there is a need to reform the social security policy of the government as it is today. It is projected that in the future, because of an increasingly aged population, there would be a strain on the social security system as it is today because it would not be able to fulfill its obligations to the citizens of the country, due to the changing demographics as pointed out earlier. There is a need to reform the program so that there budgetary allocation would be provided for the scheme and the scheme would be protected from economic vulnerability (Cottle, 2011).

References

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