Report on the Earnings Sharing Implementation Study*

This article summarizes the report on the earnings sharing implementation study mandated by the Social Security Amendments of 1983. In general, earnings sharing means that a married couple would share equally any earnings credited for social security purposes during years of their marriage. The principles of earnings sharing can be meshed with present law in a variety of ways. A range of earnings sharing plans are analyzed. Transitional provisions are included and distributional and cost effects for each plan are provided. In addition, implementation concerns are analyzed and feasible time periods for implementing an earnings sharing plan are discussed. However, no recommendations about the feasibility or desirability of an earnings sharing plan are made. The analysis of the earnings sharing plans in the report shows that implementation of any of these plans would cause a number of persons to get higher benefits than would be available under present law, and, except for one plan that has a permanent guarantee of present law benefit levels, each plan would cause a number of persons to get lower benefits. Women, in general, would get higher benefits under an earnings sharing system, but many individual women and most men would get lower benefits. A variety of proposals other than earnings sharing that have been suggested over the years as ways to improve social security protection for women are also analyzed.

For the purposes of this report, section 343(c) of the Social Security Amendments of 1983 (Public Law 98-21) defines earnings sharing as proposals in which "the combined earnings of a husband and wife during the period of their marriage shall be divided equally and shared between them for social security benefit purposes." The philosophy behind the earnings sharing idea is based on the community property principle. The basic idea is that marriage is an equal economic partnership and that assets accumulated during marriage —including social security earnings credits— should be divided equally between spouses, regardless of how they choose to allocate homemaking and breadwinning responsibilities. In its simplest form, earnings sharing would:

- credit each spouse with half of a couple's total covered earnings for each year of marriage, and
- replace the current benefits of workers and spouses (or surviving spouses) with benefits for each spouse based on his or her own earnings record, including all covered earnings from years that the individual was not married and shared earnings from years that the individual was married.

While earnings sharing would provide increased benefits for certain groups of men and women, it would result in reduced benefits for other groups of men and women. These reductions could be offset partially or entirely through inclusion of guarantees for certain groups. However, each such guarantee carries a cost, and some may compromise the earnings sharing ideal of marriage as an equal economic partnership.

Issues

Although social security is gender neutral, some people perceive problems with the way women are treated

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under the program. There have been well-documented changes in demographic, economic, and social trends affecting American families that have contributed to questions about how women are treated under social security, notably the increasing labor force participation rates of women, especially married women, and the greater likelihood of divorce. Also, the income of elderly women, particularly widows, remains lower than the income of elderly men or couples. There is general agreement that elderly widows are much less well off than elderly couples and somewhat less well off than unmarried elderly men.

The following issues are raised often in testimony before the Congress by interest groups and individuals concerned with the way women are treated under the present social security program:

- As the labor force participation rate of married women has increased, more women have become eligible for worker's benefits along with the benefits payable to them as spouses. Under present law, a person entitled to both a worker's and an auxiliary benefit cannot get both benefits in full but gets the worker's benefit plus the amount, if any, by which the auxiliary benefit exceeds the worker's benefit. Because benefits cannot be added together, one issue often raised is that the worker's benefits of married women duplicate, rather than add to, their benefits as spouses. This issue is sometimes presented as concern that working women are not getting a fair return on the social security taxes they pay because they may get no more, or only slightly more, than they would get as spouses if they had not worked.
- Another issue raised is that higher total benefits are paid to couples in which only one spouse worked for pay than to couples with the same total earnings in which both worked for pay. This difference occurs because spouse's or widow's benefits are provided for spouses who had little or no attachment to the paid labor force.
- Women retired workers generally receive lower social security benefits than men because women generally receive lower wages than men and because of the intermittent working patterns of many married women.
- The 50-percent divorced spouse's benefit is often criticized as not being enough for a person who is living alone. The average social security benefit for women receiving only a divorced spouse's benefit upon entering retirement in 1981-82 was $238 per month.
- Aged widows tend to be much less financially secure than elderly unmarried men, or elderly couples, and they are more dependent on social security for support. The median income of aged widows is 78 percent of that of elderly nonmarried men and 37 percent of the median for elderly couples. In 1982, 20 percent of unmarried beneficiary women age 65 and over received 100 percent of their income from social security, compared with 17 percent of unmarried beneficiary men age 65 and over, and 9 percent of married couples age 65 and over.
- Women who have been primarily homemakers may lack an immediate source of income if they are widowed prior to age 60 and do not have children under age 16 or if their social security benefit eligibility ends because their youngest child reaches age 16 before they reach age 60. This is referred to as the "widow's gap." In 1983, of the 2 million widows under age 60, 1.25 million could not qualify for social security benefits because they were not caring for a child under age 16.

For purposes of analysis, the issues can be restated as positive objectives and used as standards of evaluation to determine how well the earnings sharing plans discussed in this report would address the concerns raised by interest groups and individuals advocating changes in the way women are treated under social security. These standards of evaluation are:

- equalize benefits for one- and two-earner couples with the same total earnings,
- equalize benefits for survivors of couples with the same total earnings,
- take account of time spent out of the paid labor force for childcare and/or homemaking responsibilities,
- increase protection for divorced women,
- increase protection for widows, and
- expand protection to provide disability benefits for homemakers and to address the "widow's gap."

It must be emphasized that these standards are analytical tools only and should not be interpreted as either recommendations by the administration or as acknowledgment that the current social security program needs modification. Not all advocates of change would give equal weight to each of these standards.

To document the criticisms of the treatment of women under present law, a private contractor, the Research Triangle Institute (RTI), conducted a study of a sample of nongovernmental interest groups that could reasonably be expected to be concerned with the treatment of women under social security. The groups included those representing the interests of different groups of women, the aged and retired, major social and ethnic groups, children and families, employers, employees, and so on. Based on the analysis of information gathered from the published statements of these groups, current statements of opinion, and in-depth interviews with a small number of interest groups, RTI concluded that:

> The one issue that appears to emerge most clearly is a concern for adequacy of benefits, particularly for the divorced, widowed, and/or disabled homemaker, but most especially for widows. This theme appeared with far greater frequency than perceived concerns for

equity in all three sets of information sources. If there is a consensus among the organizations, regardless of the source of the information, it is concern for older women living in poverty.

Approaches to Implementing the Idea of Earnings Sharing

To provide time to revise the social security system to take account of shared earnings in all the plans that are discussed in the report, sharing of earnings between married couples would not begin until the 5th year after enactment of enabling legislation (with benefits based on shared earnings beginning 10 years after enactment). Thus, all of the earnings sharing plans discussed would be prospective.

Because earnings sharing generally would result in increased benefits for the lower earner in a couple and in decreased benefits for the higher earner, applying earnings sharing retrospectively (i.e., splitting earnings for past years) would result in lower benefits than had been expected, sometimes significantly lower, for many people retiring shortly after retrospective earnings sharing was implemented. Thus, many people who had planned for retirement in the expectation of receiving a certain level of social security benefits would not have sufficient time to rearrange their plans. Strong objections could be expected, especially if the reduction in benefits were caused by a divorce that occurred before earnings sharing was implemented. In addition, a change from the current social security system to an earnings sharing system on a retrospective basis would be extremely difficult administratively because (1) there is no comprehensive system of marriage/divorce records on which to base the division of earnings for prior periods, and (2) the volume of information needed would make it impractical to construct such a system at the point of implementation.

Because earnings sharing would result in benefit reductions for major groups of beneficiaries, transitional provisions would be necessary. Two transitions were developed for the report as a means of phasing in earnings sharing.

- Transition I would be relatively generous and would not fully phase out for 80 to 100 years.
- Transition II would protect fewer people and would phase out more quickly.

The distributional effects of the various earnings sharing plans and the cost of the plans are heavily influenced by the transitional provisions. Even in 2030, many people, especially those in the older cohorts, would still be receiving transition benefits because such benefits would be higher than the earnings sharing benefits for which they would qualify. For example, under transition I, about 50 percent of widows in 2030 would be receiving transition benefits rather than earnings sharing benefits.

To determine the effects of an earnings sharing plan, one needs to look at the beneficiary population at some point in the future when earnings sharing would have been in effect for long enough to have had a significant impact on benefit levels. The beneficiary population in 2030 was chosen because, assuming that earnings sharing legislation were effective in 1990, it would be 2030 when the first group of people retired with 40 years under earnings sharing. A sample population reflecting the kinds of earnings and marital experience that may prevail in 2030 was created through computer simulation. This population was used to analyze the distributional effects of the various plans.

The computer models used the Alternative II–B assumptions of the Social Security Trustees Report [1] as a basis for simulating future demographic and economic conditions. The costs of the various earnings sharing plans were estimated using these same assumptions. The costs are expressed using the measurement generally used for purposes of estimating social security long-range costs—"percent of taxable payroll." The cost of a proposed change expressed as a percentage of taxable payroll indicates the change in the average annual combined employer-employee payroll tax rate that would be required over the usual 75-year estimating period to pay for the change.

Generic Earnings Sharing Plan

In its simplest form, earnings sharing would eliminate the current system of benefits for workers and spouses (or surviving spouses) and instead credit each spouse with half of a couple's total covered earnings for each year of marriage. Each spouse and surviving spouse would receive social security worker's benefits based on his or her own earnings record, which would include all covered earnings from years that the individual was not married, and shared earnings from years that the individual was married. The application of the equal partnership principle to the earnings credits of a married couple would have the practical effect of increasing the social security benefits to one partner while decreasing benefits to the other.

In general, the generic plan would equalize benefits for one- and two-earner couples with the same total covered earnings and the same years of marriage. In 2030, under transition I, about 37 percent of aged couples in which both spouses are receiving benefits would get higher benefits and about 44 percent would get lower benefits. Couples in which one spouse would receive a present law spouse's benefit are more likely to lose bene-

[1] See **1983 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Funds,** Social Security Administration, June 24, 1983.

fits than couples in which both spouses would receive only worker's benefits under present law. Couples with the highest present law benefits would be more likely to get increased benefits than couples with the lowest present law benefits. Forty-six percent of couples in the highest quartile would get increases, compared with 29 percent in the lowest quartile. The plan would increase benefits for 84 percent of married women and decrease benefits for 86 percent of married men.

In 2030, under transition I, the generic plan would increase benefits for 73 percent of divorced women entitled only to worker's benefits and 69 percent of divorced women entitled to partial spouse's benefits. Sixty-five percent of divorced women entitled to survivor's benefits (including those also entitled to worker's benefits) would have no change in benefits, largely due to the transitional guarantee. The remaining 35 percent of divorced women entitled to survivor's benefits would be almost equally divided between winners and losers. Sixty-six percent of divorced men would get lower benefits under the plan.

The generic earnings sharing plan includes a major provision to offset reductions in benefits for survivors compared with present law; this feature would allow a surviving spouse or surviving divorced spouse to inherit the total amount of the deceased spouse's covered annual earnings for each year of marriage and to add this amount to his or her own earnings. Although the generic plan would thus increase benefits for some survivors, it also would result in lower benefits for other survivors. Sixty-two percent of widows would have no change in 2030 under transition I largely because of the transitional guarantee. However, best estimates are that, after the transition would phase out, about 50 percent of surviving spouses would get higher benefits and about 40 percent would get lower benefits. Widows with the lowest present law benefits would be the most likely to get increased benefits, while those with the highest present law benefits would be the most likely to get decreased benefits. There are several reasons why widows could get lower benefits. One of the main reasons that widows would lose is that many of the advantageous computation procedures available to survivors under present law would no longer apply. In addition, many widows would lose some years of earnings because inheritance would be limited to years of marriage, while present law widow's benefits are based on the deceased spouse's entire earnings record. Further, the generic plan, because it would eliminate the widow(er)'s benefit payable at age 60 under present law, would exacerbate the issue of the "widow's gap."

Although the generic earnings sharing plan would expand coverage for disabled homemakers and their families, such expansion would be accompanied by a reduction in benefits for male disabled workers and their families. Likewise, although the generic plan would increase benefits for children entitled to benefits on their mothers' records, it would result in reduced benefits for children entitled on their fathers' records. (At the end of 1982, five times as many children were entitled to benefits based on their fathers' records as on their mothers' records.)

The transitional provisions would have a large influence on the cost of the generic earnings sharing plan, as shown below:

- Transition I—the generic earnings sharing plan would have a long-range net **cost** of 0.35 percent of taxable payroll, or about $5.6 billion per year, in terms of the 1984 taxable payroll.
- Transition II—the generic plan would have a long-range net **saving** of 0.04 percent of taxable payroll, or about $0.6 billion per year, in terms of the 1984 taxable payroll.

Modified Generic Plan

The modified generic plan adds to the generic plan some protections for certain groups and modifies the generic plan for intact married couples when only one spouse has claimed benefits.

The major differences between this plan and the generic plan are:

- Earnings would not be shared until both spouses claimed benefits. This would assure that present law benefit levels would be maintained when the higher or sole earner retired first (assuming no previous marriages). However, earnings would be shared when one spouse claims disability benefits if a higher benefit amount would result from sharing. Thus, disability protection would be available to homemakers, but disability protection would not be reduced if the higher or sole earner was the spouse who became disabled.
- Benefits would be paid to spouses who were caring for children. These benefits would not be paid under the generic plan.
- An adjustment benefit would be paid for up to 2 years to a person widowed before age 62.
- A special minimum childcare benefit provision was included. This added benefit would provide higher benefits than the regular computation for long-term, low-paid workers and would allow credit for up to 10 years of childcare.

The distributional effects of the modified generic plan are very similar to the generic plan. The modified generic plan would provide equal treatment for one- and two-earner couples with the same total earnings and years of marriage regardless of how paid work and homemaking responsibilities were divided. Like the generic plan, it would result in increased benefits for some widows and divorced spouses and lower benefits for some others. The special minimum childcare provision, which was added to this earnings sharing plan, would increase benefits for people who had low lifetime earnings. Ap-

proximately 20 percent of couples and 15 percent of divorced women would receive higher benefits as a result of the special minimum childcare benefit provision in 2030 under transition I. However, the changes included in the modified plan would not overcome the effect of short marriages in causing the reductions that would occur under generic earnings sharing in widow's benefits or reduce the losses to one-earner couples who had average, or relatively good, earnings histories.

The adjustment benefit for widows under age 62 that is added under this plan would avoid exacerbating the issue of the "widow's gap." This benefit would provide widows with the same number of years of benefits as under present law (while the generic plan would reduce that number by two). In addition, the adjustment benefit would allow more flexibility than present law, because the benefit could be taken at any time prior to age 62, while widow's benefits are not available prior to age 60 under present law.

The changes made under the modified generic plan would result in a higher long-range cost for this plan compared with the generic plan:

- Transition I—The modified generic plan would have a long-range net cost of 0.73 percent of taxable payroll (or about $11.7 billion per year, in terms of 1984 taxable payroll) compared with 0.35 percent of taxable payroll for the generic plan.
- Transition II—The modified generic plan would have a long-range net cost of 0.39 percent of taxable payroll (or about $6.3 billion per year, in terms of 1984 taxable payroll) compared with a saving of 0.04 percent of taxable payroll for the generic plan.

No Reduction Earnings Sharing

The other variation of earnings sharing considered is a plan that would result in no reductions in benefits compared with present law (the so-called "no-loser plan"). It is identical with the generic earnings sharing plan, but it includes a guarantee of present law benefit levels if such benefits would exceed the earnings sharing benefit for any given person.

The no-loser earnings sharing plan would have the same effects as the generic plan with respect to increased benefits. However, people who would have received lower-than-present law benefits under the generic plan would have no change in benefits under the no-loser plan. The no-loser plan would be the most expensive of the earnings sharing plans analyzed in this report with a long-range cost of 1 percent of taxable payroll (or about $16.0 billion per year in terms of 1984 taxable payroll).

An important conclusion to be drawn from the analysis of the no-loser earnings sharing plan is that the plan would not equalize benefits for one- and two-earner couples with the same total earnings, as would the other plans analyzed. Because of the present law guarantee, the no-loser plan would exacerbate the disparity in benefit levels between one- and two-earner couples, because all one-earner couples would get increased benefits under the plan, but many two-earner couples would get the same benefits as under present law. (It is not possible to devise an earnings sharing plan that would raise benefits for two-earner couples to the level of one-earner couples under a system that includes a weighted benefit formula. To achieve this result, a mechanism other than earnings sharing would have to be used.)

Transitions to Earnings Sharing

Two transitions were developed to phase in earnings sharing. The transitions were designed with two purposes: (1) To protect groups that would get lower benefits than under present law because earnings sharing would be limited to years after 1989, and (2) to phase in the permanent changes in benefit levels that would occur under earnings sharing due to the elimination of auxiliary benefits for spouses and surviving spouses. Transition I would be relatively generous and would not fully phase out for 80 to 100 years. Transition II would protect fewer people and would phase out more quickly.

Winners and losers among married couples [1] in 2030 under various earnings sharing plans

Item	Generic earnings sharing			Modified generic		No loser
	Mature [2]	Transition I	Transition II	Transition I	Transition II	
Percent with no change [3]	13	19	19	16	16	15
Percent with increases	40	37	35	50	49	85
Average present law benefit [4]	$17,180	$17,452	$17,559	$16,299	$16,326	$16,974
Percentage change	8	6	6	7	7	10
Percent with decreases	47	44	46	34	35	0
Average present law benefit	$16,647	$16,761	$16,785	$17,774	$17,749	...
Percentage change	−7	−6	−7	−5	−6	...

[1] Includes only couples with at least one spouse age 62 and over and in which both spouses are receiving benefits.

[2] The mature plan is the generic plan in 2030, assuming all beneficiaries would have had the opportunity to share benefits over their entire working and married lifetimes.

[3] No change in benefits is defined as benefits within 1 percent of present law. Benefits that change by more than 1 percent relative to present law are classified as either increases or decreases.

[4] Benefit amounts are shown in 1984 dollars.

Winners and losers among widowed persons age 62 and over in 2030 under various earnings sharing plans

Item	Generic earnings sharing			Modified generic		No loser
	Mature [1]	Transition I	Transition II	Transition I	Transition II	
Widows						
Percent with no change [2]	8	62	13	59	11	75
Percent with increases	48	25	25	25	27	25
Average present law benefit [3]	$8,159	$8,596	$8,596	$8,266	$8,266	$8,591
Percentage change	21	17	17	18	18	17
Percent with decreases	44	13	62	13	62	0
Average present law benefit	$10,822	$10,464	$10,071	$10,520	$10,116	...
Percentage change	−19	−26	−25	−25	−25	...
Widowers						
Percent with no change	14	28	28	27	26	36
Percent with increases	72	64	64	65	65	64
Average present law benefit	$9,564	$9,635	$9,635	$9,588	$9,588	$9,621
Percentage change	11	8	8	9	9	8
Percent with decreases	14	8	10	8	9	0
Average present law benefit	$10,162	$10,365	$9,945	$10,429	$10,077	...
Percentage change	−11	−9	−10	−8	−9	...

[1] The mature plan is the generic plan in 2030, assuming all beneficiaries would have had the opportunity to share benefits over their entire working and married lifetimes.

[2] No change in benefits is defined as benefits within 1 percent of present law. Benefits that change by more than 1 percent relative to present law are classified as either increases or decreases.

[3] Benefit amounts are shown in 1984 dollars.

Winners and losers among divorced persons age 62 and over in 2030 under various earnings sharing plans

Item	Generic earnings sharing			Modified generic		No loser
	Mature [1]	Transition I	Transition II	Transition I	Transition II	
Divorced women						
Percent with no change [2]	6	38	14	35	11	50
Percent with increases	67	50	50	54	54	50
Average present law benefit [3]	$6,750	$6,668	$6,668	$6,534	$6,534	$6,668
Percentage change	22	17	17	19	19	17
Percent with decreases	27	12	36	11	34	0
Average present law benefit	$9,896	$9,216	$9,248	$9,583	$9,436	...
Percentage change	−20	−19	−28	−20	−28	...
Divorced men						
Percent with no change	10	15	14	14	13	81
Percent with increases	22	19	19	23	23	19
Average present law benefit	$7,969	$8,092	$8,092	$7,730	$7,730	$8,092
Percentage change	10	8	8	9	9	8
Percent with decreases	69	66	67	63	64	0
Average present law benefit	$10,319	$10,407	$10,333	$10,567	$10,846	...
Percentage change	−12	−10	−10	−9	−10	...

[1] The mature plan is the generic plan in 2030, assuming all beneficiaries would have had the opportunity to share benefits over their entire working and married lifetimes.

[2] No change in benefits is defined as benefits within 1 percent of present law. Benefits that change by more than 1 percent relative to present law are classified as either increases or decreases.

[3] Benefit amounts are shown in 1984 dollars.

Transition I

- The transition would protect survivors and divorced persons whose marriages began before 1990 by providing them a permanent guarantee of full present law auxiliary benefits. Otherwise these groups would get significantly lower benefits than under present law because (1) in the absence of a guarantee, spouse's and surviving spouse's benefits would no longer be paid under earnings sharing, and (2) spouses would not have a full worklife of shared earnings because earnings would not be shared for years of marriage before 1990.
- The transition would provide workers a present law guarantee that would decline by 1 percent per year over a 35-year period.
- The declining present law guarantee would no longer be available for people becoming eligible for benefits after 2030. It is likely that the earnings sharing benefit would exceed this guarantee for nearly everyone becoming eligible for benefits after that date. Also, those eligible for retirement benefits after 2030 would have been no older than

16 when earnings sharing was implemented and, thus, in most cases, would not have had covered earnings prior to that time.

Transition II

This transition would be less costly than transition I because it would be of shorter duration and would have fewer guarantees.

- The protection provided under this transition would be limited to spouses, surviving spouses (and divorced spouses and surviving divorced spouses), who would otherwise get lower benefits under earnings sharing because earnings sharing would be limited to years after 1989 and because auxiliary benefits would be eliminated under an earnings sharing plan. No special transition provisions would be included for workers.
- Present law benefits for spouses (and divorced spouses) would be phased out over a 15-year period.
- The phaseout period for surviving spouse's (and surviving divorced spouses) benefits would be 25 years—10 years longer than that for spouse's benefits. This advantage for survivors was included to take account of the fact that widows are generally thought to rely more heavily on their social security benefits for support than spouses and therefore would be in greater need of transitional protection.

Both the distributional effects of earnings sharing and the cost of earnings sharing depend on the particular transition chosen. The following table provides information on the cost difference between transition I and transition II by comparing the costs of the generic and modified generic earnings sharing plans, with and without transitions.

The table below shows the long-range net cost as a percent of taxable payroll of two earnings sharing plans with and without transitions. Net cost is defined as additional cost during the specified period minus the additional income due to the taxation-of-benefits provision during the same period. These figures show the change in present law costs. (The total cost of present law over the period 1984–2058 under the 1984 Trustees Report Alternative II-B assumptions would be 12.84 percent of taxable payroll.)

Long-range net cost of two earnings sharing plans with and without transitions

[Shown as a percent of taxable payroll]

Earnings sharing plan	Percent of taxable payroll			Total, 1984–2058
	1984–2008	2009–33	2034–58	
Generic earnings sharing plan				
No transition	−0.08	−0.15	−0.11	−0.11
Transition I	0.07	0.38	0.60	0.35
Transition II	−0.02	−0.06	−0.02	−0.04
Modified generic earnings sharing plan				
No transition	0.00	0.26	0.60	0.29
Transition I	0.10	0.75	1.34	0.73
Transition II	0.03	0.37	0.76	0.39

Administrative Impact of Earnings Sharing

In general, the implementation of earnings sharing would require both the establishment of new operational procedures and expansion of current operational procedures—that is, it would require collection, verification, and recordkeeping procedures that heretofore have been unnecessary, and it would increase the size and complexity of almost all the procedures the Social Security Administration (SSA) now performs.

A final and comprehensive assessment of administrative impact could not be completed unless policy decisions were made defining a specific earnings sharing plan for legislative consideration. It is clear, however, that the administrative impact of any major earnings sharing proposal would be of such major significance that consideration of administrative effects must be an important part of the legislative policymaking process.

Two administrative considerations are of paramount importance in assessing the feasibility of earnings sharing implementation:

- First, any earnings sharing plan would require that a suitable system be developed for obtaining, verifying, and recording on an ongoing basis the marital history of all workers in covered employment and their spouses. Without such a comprehensive record, it is questionable whether earnings sharing could be applied evenly and equitably.
  - Establishing and maintaining this kind of system could raise questions about the privacy rights of individuals and could raise States' rights and/or constitutional issues as well.
  - It is estimated that it would cost $150 million to establish a marital information data base and that it would cost a minimum of $10 million a year to maintain this base.
- Assuming that the problem of getting marital information could be overcome, successful implementation of earnings sharing would require that the legislation provide sufficient leadtime for SSA to develop an automated system to pay claims based on earnings sharing.
  - Once the details of an earnings sharing plan were known, it is estimated that a minimum 5-year leadtime would be necessary to develop such a system. (A longer leadtime might be required depending on the complexity of the plan and the transitional provisions.)
  - If a large percentage of the workload were automated prior to implementation of earnings sharing, the number of cases remaining

to be processed manually would be substantially greater than under present law.

- The added complexity of earnings sharing computations would increase the time needed to process claims compared with what is needed to process claims under present law.
- Even assuming that a fully automated system were in place, processing only initial claims under earnings sharing would increase administrative costs by at least 4 percent a year over projected present law levels and could result in staffing increases of at least 4 percent. (These estimates do not take into account other massive SSA operations, such as postentitlement actions and annual wage reporting, which could involve costs of similar magnitude.)
- Additional resources would be needed to handle the increased workload, and training programs would need to be set up to teach both new and current employees to compute earnings sharing benefits accurately.

Other Approaches to Issues

A number of options, narrower in scope than full-scale earnings sharing, have also been suggested over the years as ways to improve social security protection for women. Many of the options come directly from legislation introduced in the Congress over the past 15 years; some are variations on such proposals. Others were discussed in previous reports released by this Department. The list of incremental options presented is not meant to be all-inclusive. Rather, these ideas are simply representative of the kinds of proposals that could be developed to address the issues. One or more of these changes could be adopted either as (1) an interim step to assist women who will be eligible for retirement benefits in the near future and who therefore would not be affected by earnings sharing, or (2) an alternative to the fundamental change of earnings sharing.

The following options are grouped according to the types of beneficiaries that would be primarily affected. Costs for all the options are shown at the end of the summary.

Improve Protection for Widows

Use deceased spouse's earnings to compute a worker's benefit. Under this option, benefits for a surviving spouse or surviving divorced spouse would be determined based on an earnings record derived from the survivor's own earnings plus certain earnings of the deceased spouse.

Under the **primary option**, a surviving spouse or surviving divorced spouse would be allowed to "inherit" 100 percent of his or her deceased spouse's earnings acquired during the years of marriage. Under the **alternative option**, the surviving spouse's earnings would be combined with the entire earnings record of the deceased spouse (including earnings in years outside the marriage).

Both alternatives would include a guarantee of present law survivor's benefits. These present law benefits would be payable to the extent that they would exceed the survivor's own worker's benefit based on inherited or combined earnings.

Pay surviving spouse two-thirds of combined worker's/survivor's benefit. A surviving spouse or a surviving divorced spouse would receive a benefit based on two-thirds of the combined worker's/survivor's benefit beginning the first month the survivor becomes entitled to both a worker's retirement or disability benefit and a widow(er)'s benefit. This benefit would be paid only if it exceeds the present law survivor's benefit.

Provide an adjustment benefit for certain widow(er)s. This option would provide a temporary adjustment benefit for a worker's surviving spouse age 55-59 for a period not to exceed 6 months after the worker's death. The adjustment benefit would be equal to 71.5 percent of the deceased worker's basic benefit amount. The benefit would not be payable for any month in which the surviving spouse was eligible for a survivor's monthly benefit.

Pay 100 percent of the deceased worker's basic benefit to disabled widow(er)s at any age. Under this option, the benefit for disabled widow(er)s would be changed in two ways. First, widow(er)'s benefits based on a disability would be payable at any age before 65. Second, the benefit rate payable to disabled widow(er)s would be increased to 100 percent of the deceased worker's basic benefit amount.

Modify eligibility requirements for widow(er)'s disability benefits. The **primary option** would modify the requirements for widow(er)'s disability benefits by extending the present law 7-year period during which the survivor must become disabled to qualify for disabled widow(er)'s benefits. The period would be increased by 3 months for each quarter of coverage earned by the surviving spouse or surviving divorced spouse, beginning with the quarter the worker died. An **alternative option** would improve disability protection for widow(er)s by extending the 7-year period to 10 years.

Modify definition of disability for widow(er)s. This option would modify the definition of disability for widow(er)s by making it the same as the definition of disability used in determining the entitlement of workers to disability insurance benefits—that is, nonmedical factors such as age, education, and work experience would be considered in determining entitlement to benefits.

Include a surviving spouse's own delayed retirement credits in the widow(er)'s benefit. This option would

permit the amount of a worker's own delayed retirement credits to be added to the benefit he or she receives as a widow(er), thus providing increased benefits for some surviving spouses and surviving divorced spouses.

Increase benefits for the very aged. This option would provide a 10-percent benefit increase for people receiving benefits as workers, spouses, or widow(er)s beginning with the month in which each beneficiary reaches age 85.

Improve Protection for Working Women

Modify dual entitlement provisions. The option would modify the dual entitlement provision so that the spouse's or surviving spouse's benefit would be offset at the rate of $1 for each $2 of the worker's benefit (rather than $1 for $1, as under present law). Thus, a spouse or surviving spouse would receive a full worker's benefit plus a larger benefit as a spouse than would be payable under present law. Also, some people who do not qualify for spouse's or surviving spouse's benefits under present law because their worker's benefits are greater would be able to receive auxiliary benefits under this option.

Provide a working spouse's benefit. Under this option, a working spouse's benefit would be payable to both members of a two-earner couple. The benefit for each spouse would be equal to 25 percent of the lower of the benefits payable to that spouse.

The working spouse's benefit would be payable to a person eligible for both a worker's retirement or disability benefit and a spouse's or surviving spouse's benefit (including a divorced spouse's or surviving divorced spouse's benefit). This includes not only people dually entitled to a worker's and a spouse's benefit but also people who, because the spouse's or surviving spouse's benefit is less than the worker's benefit, would be entitled to only a worker's benefit under present law.

Provide childcare dropout years. This option would provide increased benefits for workers who leave the workforce for a year or more to care for a child by excluding from the computation of social security benefits up to 10 years in which the worker (1) had a child of the worker (or of his or her spouse) under age 7 living with him or her, and (2) had no covered or noncovered earnings.

Under the **primary option,** as under present law in disability cases, childcare dropout years would be excluded from the computation after regular dropout years had been excluded. Thus, no special credit would be given for any childcare years that had already been excluded as regular dropout years.

In contrast, under an **alternative option,** the childcare dropout years would be excluded first so that regular dropout years **plus** the full number of years that qualify as childcare dropout years could always be excluded. Thus, the total number of dropout years could be greater than under the primary option.

Under either option, as under present law, dropout years could not reduce the number of years of earnings used in the benefit computation to less than 2.

Provide childcare increment years. The amount of the childcare increment would be equal to 2 percent of the worker's monthly benefit (after adjustment for actuarial reduction the delayed retirement credits) for each qualifying year. A worker would qualify for a childcare year if (1) a child of the worker (or of his or her spouse) under the age of 7 lived with the worker substantially throughout the year, and (2) the worker had no covered or noncovered earnings during the year. No more than 10 years could be counted as childcare increment years.

Provide childcare credits in calculating the special minimum benefit. There is a special minimum benefit provision under present law to provide benefits for long-service, low-wage workers; this special minimum benefit is paid only if it exceeds the worker's benefit the person would receive under the regular computation procedures. The amount of the special minimum benefit is based on a benefit table in the law; for monthly benefits payable after December 1984, the special minimum benefit is approximately equal to $18.47 multiplied by the number of a person's years of coverage under social security in excess of 10 years and up to a maximum of 30 years.

The **primary option** would change the special minimum provision by (1) increasing the number of years of coverage countable toward a special minimum benefit from 30 to 35 years, and (2) allowing up to 10 years of childcare to count toward the years of coverage. As under present law, the special minimum benefit would be automatically adjusted to prices and would phase out over time.

An **alternative option** would be the same as the primary option except that it would not phase out over time. A phaseout would be prevented by providing that the benefit would be adjusted to wage increases up to the year of benefit eligibility or death; the benefit would be adjusted to price increases thereafter. This is essentially the way basic social security benefits are maintained at a constant level in relation to changes in the economy. Such a modification would assure that the protection afforded by the childcare credit special minimum would not diminish over time.

Modify disability insured status requirements. Under the option, a disability insured status freeze would be provided for years in which a worker had no earnings in covered or noncovered employment and was caring for his or her child (or a spouse's) under age 7. The effect of this alternative would be to disregard childcare years in determining whether a person meets the insured status requirements for disability benefits.

Improve Protection for Divorced Women

Increase divorced spouse's benefits. This option would increase the benefit of a divorced spouse of a retired or disabled worker by 1 percent of the worker's basic benefit amount for each year of marriage in excess of 10 years up to a maximum increase of 25 percent of the basic benefit amount for marriages that lasted 35 years or longer.

Reduce the 10-year duration-of-marriage requirement. This option would reduce from 10 years to 5 the duration-of-marriage requirement needed to qualify for benefits as a divorced spouse (or surviving divorced spouse) so that additional divorced women could get social security benefits as auxiliaries.

Provide divorced workers with additional dropout years for nonwork years. This option would increase the retirement or disability benefit for some divorced workers (and the potential benefits for their survivors) by increasing the number of years of zero earnings that could be disregarded (that is, dropped out) in the benefit computation. Divorced workers would be allowed 1 additional dropout year (up to a maximum of 5 additional dropout years) for each year of zero earnings after 1950 during any prior marriage that lasted 10 years or longer and ended in divorce.

Permit voluntary earnings sharing as part of a divorce settlement. This option would provide that a couple's total earnings credits during each year of marriage could be evenly divided between the spouses as part of a divorce settlement. However, earnings could be shared only if sharing were requested by either spouse and only if the presiding judicial official granted the request. As an alternative to sharing for each year of marriage, the option could be structured to permit the judge or the divorcing couple to decide/agree to share for some years of marriage and not others.

Improve Protection for Homemakers

Provide homemaker credits. In general, homemaker credit options would provide social security earnings credits for spouses based on the imputed dollar value of their unpaid homemaker services. The spouse's benefit and surviving spouse's benefit would be eliminated. The actual value of homemaker services for social security purposes and the method of financing the credits would have to be determined if a specific plan were developed. Homemaker credits would replace the current system of spouse's and surviving spouse's benefits because homemakers would acquire their own earnings credits—making it possible for them to receive benefits as workers in their own right.

Provide disabled spouse's benefits. This option would provide for the payment of benefits to disabled spouses and disabled divorced spouses of retired or disabled workers beginning at age 50. The disability protection provided for these disabled spouses would be similar to that provided under present law for disabled widow(er)s. The benefit amount payable to a disabled spouse between the ages of 50 and 62 would be equal to 37.5 percent of the worker's basic benefit amount. Medicare protection would be provided after 24 months of entitlement to disabled spouse's benefits.

Long-Range Costs

Tables 1 and 2, which follow, show the long-range net costs of the earnings sharing plans and the incremental options that were analyzed in this report. These estimates were prepared by SSA's Office of the Actuary.

Table 1.—Long-range net cost of various earnings sharing plans [1]

Earnings sharing plans	Percent of taxable payroll			Total, 1984-2058
	1984-2008	2009-33	2034-58	
Plans using transition I:				
Generic earnings sharing plan	0.07	0.38	0.60	0.35
Modified generic plan	0.10	0.75	1.34	0.73
No-loser plan	0.10	0.97	1.93	1.00
Plans using transition II:				
Generic earnings sharing plan	−0.02	−0.06	−0.02	−0.04
Modified generic plan	0.03	0.37	0.76	0.39

[1] Net cost is defined as the additional cost during the specified period minus the additional income due to the taxation-of-benefits provision during the same period. Estimates are based on the 1984 Trustees Report Alternative II-B assumptions.

Table 2.—Long-range net cost of incremental options [1] as a percentage of taxable payroll

Option	Net Cost
Increase protection for widows:	
(A) Use deceased spouse's earnings to compute a worker's benefit	
— Primary: Inherit for years of marriage only	0.42
— Alternative: Combine all years of earnings	0.54
(B) Pay surviving spouse two-thirds of the combined worker's/survivor's benefit	0.42
(C) Provide an adjustment benefit for certain widow(er)s	0.01
(D) Pay 100 percent of the deceased worker's basic benefit to disabled widow(er)s at any age	0.01
(E) Modify eligibility requirements for widow(er)'s disability benefits	
— Primary: Extend 7-year requirement by 3 months for each quarter of coverage	(2)
— Alternative: Extend 7-year requirement to 10 years	(2)
(F) Modify definition of disability for widow(er)s	0.01
(G) Include a surviving spouse's own delayed retirement credits in the widow(er)'s benefit	0.02
(H) Increase benefits for the very aged	0.15
Increase protection for working women:	
(I) Modify dual-entitlement provisions	1.29
(J) Provide a working spouse's benefit	0.93
(K) Provide childcare dropout years	
— Primary: Exclude childcare dropout years after regular dropout years	0.07
— Alternative: Combine regular dropout years and childcare dropout years	0.16
(L) Provide childcare increment years	0.17
(M) Provide childcare credits in calculating the special minimum benefit	
— Primary: Price index special minimum benefit for years before eligibility or death	0.01
— Alternative: Wage index special minimum benefit for years before eligibility or death	0.03
(N) Modify disability insured status requirements	(3)
Increase protection for divorced women:	
(O) Increase divorced spouse's benefits	(3)
(P) Reduce the 10-year duration-of-marriage requirement	0.06
(Q) Provide divorced workers with additional dropout years for nonwork years	0.03
(R) Permit voluntary earnings sharing as part of a divorce settlement	(3)
Increase protection for homemakers:	
(S) Provide homemaker credits	(3)
(T) Provide disabled spouse's benefits	0.02

[1] Long-range net cost is defined as the additional cost over the 75 years 1984-2058 minus the additional income due to the taxation-of-benefits provision over the same period. Estimates are based on the 1984 Trustees Report Alternative II-B assumptions.
[2] Less than 0.005 percent of taxable payroll.
[3] Costs cannot be estimated because of the nature of the option.