

**PENSIONS IMPLEMENTATION ISSUES
IN THE UNITED STATES:
A COMPARATIVE APPROACH**

DALMER D. HOSKINS
SPECIAL ADVISOR

U.S. SOCIAL SECURITY ADMINISTRATION
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The author wishes to state that any views and opinions expressed in this presentation are entirely his own and do not reflect the official position of the U.S. Government

Social Security: The American Success Story

- One out of every six Americans receives a monthly benefit
- Covers over 90% of working force: 145 million workers
- Handles 19 million requests for new or replacement social security cards each year
- Answers 63 million telephone requests
- Strong public support has blocked privatization (Bush proposal) or attempts to cut benefits

Warning signs on the horizon: Will Social Security meet the challenge?

- Aging population: in 10 years retirement claims will jump by 40%, disability claims will rise by 10 percent
- Economic downturn has resulted in heavier workload: Disability claims are 11% higher in 2009 than in 2008
- Social Security employees are aging too: By 2017 over 50% of staff eligible for retirement, 70% of managers.

Warning signs: Urgent issues requiring immediate solutions

- Disability applications and backlogs are steadily growing each year: applications waiting to be processed have reached over 1.3 million
- On-line internet applications from public are increasing, but have not yet resulted in significant increases in productivity
- 50% of telephone calls to field offices were not answered last year
- Waiting time for visitors increased by 40% since 2002

HOW DID THIS HAPPEN?

- SOCIAL SECURITY ADMINISTRATION (SSA) SPENDS ONLY ABOUT 2% OF BUDGET ON ADMINISTRATION, **BUT:**
- BENEFICIARIES ARE INCREASING, ESPECIALLY DISABILITY (UP 78% OVER 10 YEARS WHILE OLD-AGE ONLY UP 38%)
- CONGRESS GAVE SSA NEW TASKS (MEDICARE PROCESSING, VERIFYING EMPLOYMENT STATUS, AND TRACKING BENEFICIARIES OF OTHER PUBLIC PROGRAMS)

HOW DID THIS HAPPEN?

(continued)

- SSA staff (currently about 61,000) has been declining; 4% in the last 5 years
- Number of field offices has been slowly declining over last 10 years
- Administrative budget is “*discretionary*” (*must be appropriated annually by Congress*) and has not kept pace with increasing workload
- Question: Is “independent agency” working?

Biggest challenge: reduce disability backlogs

- Disability insurance is absorbing more administrative costs each year at expense of other important SSA responsibilities
- Over 10-year period, disability backlog increased by 188%
- Largest backlogs are at the appeals level: average processing time for hearing over 500 days, 36% of cases take 600 days, 7% of cases take 900 days.
- Commissioner has stated: backlog is an unacceptable cause of unnecessary human suffering

Further challenge: modernizing SSA's IT System

- SSA's National Computer Center (NCC) is 30 years old but expected to reach maximum capacity in 2012.
- Second NCC facility is being planned but will not be fully operational before 8-10 years
- In the event of a national disaster, NCC would only be able to provide 25-30% of services needed to serve the public
- "Business as usual" or a national priority?

Further challenge: the Future of the Social Security Number (SSN)

- Created in 1936, the SSA was originally used to record earnings records of U.S. workers
- Today the SSN is the most commonly used identifier; SSA has issued over 450 million SSNs
- Nearly every legal resident of the U.S. has a SSN, including newborn children
- SSN is 9 numbers, consisting of 4 serial numbers, 2-digit year of birth and 3 digit geographic area of registration; but some regions are running out of new numbers

Social Security Number (SSN) (Continued)

- Government primarily responsible for increased use: including payment of Federal income tax, administration of Medicare benefits, state and local government taxes, drivers licenses, etc.
- Private sector, beginning with financial institutions, expanded use of SSN, until today almost impossible to have a bank account, credit card or cell phone without a SSN

Social Security Number (SSN) (Continued)

- SSA is faced with issues of personal confidentiality and growing identify theft
- Pressure exerted by Department of Homeland Security to require all employers to “match” SSN and personal identity
- Future proposals would require SSA to verify SSNs for national health insurance and immigration reform

SSA as an independent agency: is it working?

- Since 1994, the Social Security Administration (SSA) is longer part of the Department of Health and Human Services
- Congress made SSA into an “independent agency” to protect it from political manipulation and to render it more efficient
- Commissioner is proposed by President, confirmed by Senate, and serves for six years; a Social Security Advisory Board advises the President and Congress.

SSA: and Independent Agency (Continued)

Opinions are mixed as to whether current law has achieved objective of independent agency:

- SSA has been underfunded and understaffed for many years
- SSA no longer has a voice at Cabinet level and is not strong enough to defend itself against new tasks
- SSA is viewed primarily as an administrative agency, with little influence over policy or legislation

Conclusion: Are there lessons to be learned from Japanese and U.S. experience?

- Why has Japan adopted a series of significant old-age pension reforms, but the U.S. has been in a legislative stalemate since 1983?
- What institutional model of administration is most effective: Ministry department, independent agency, decentralized administration with outsourcing to private sector for calculation of benefits, record keeping, verification of SSNs?

Lessons to be learned from Japanese and U.S. experience (Continued)

- Why have disability applications risen much faster in the U.S. than in Japan? Why is the appeals backlog so much greater in the U.S. than in Japan?
- Finally, what lessons can be learned about public confidence and trust in the future of the respective national social security systems?