

SOCIAL SECURITY AND AFRICAN AMERICANS: SOME FACTS

Social Security provides protections for workers and their families should the breadwinner retire, become disabled, or die. Some assert that African Americans and Hispanics bear a large portion of the cost of the program, but will receive little in benefits and would be better off with an individual account system that could be invested in the equities market. What are the facts?

Social Security's progressive benefit formula protects low- and moderate-wage earners.

African Americans and Hispanics make up a disproportionately large segment of workers earning low and moderate wages.¹ Social Security's benefit formula ensures that these lower-wage workers and their families receive a higher return relative to their contributions than do high-wage workers. The program replaces approximately 56 percent of earnings for low-wage workers, 42 percent for average-wage workers, 35 percent for high-wage workers, and 30 percent for those with consistently taxable maximum wages.^{2 3}

Social Security is the dominant source of income for most people over age 65. It is particularly important for older African Americans.⁴

Of African Americans age 65 or older:

- 88 percent have income from Social Security;
- 19 percent have income from private pensions or annuities;
- 29 percent have income from assets.

Older African Americans rely heavily on Social Security.⁵

The importance of Social Security is increased for older African Americans because they are less likely to have income from private pensions and assets.

- Older African Americans, on average, receive more than 44 percent of their total income from Social Security.

- African American women over age 65, on average, rely on Social Security for 56.8 percent of their income.
- Social Security is the only source of income for one in three African Americans over age 65,.

Social Security helps keep people age 65 and over out of poverty (See Figure 1).

The high poverty rates for older African Americans would be significantly higher without Social Security. The poverty rate would increase from 22 to over 57 percent

Social Security essentially treats African Americans who reach age 65 no differently than the general population.

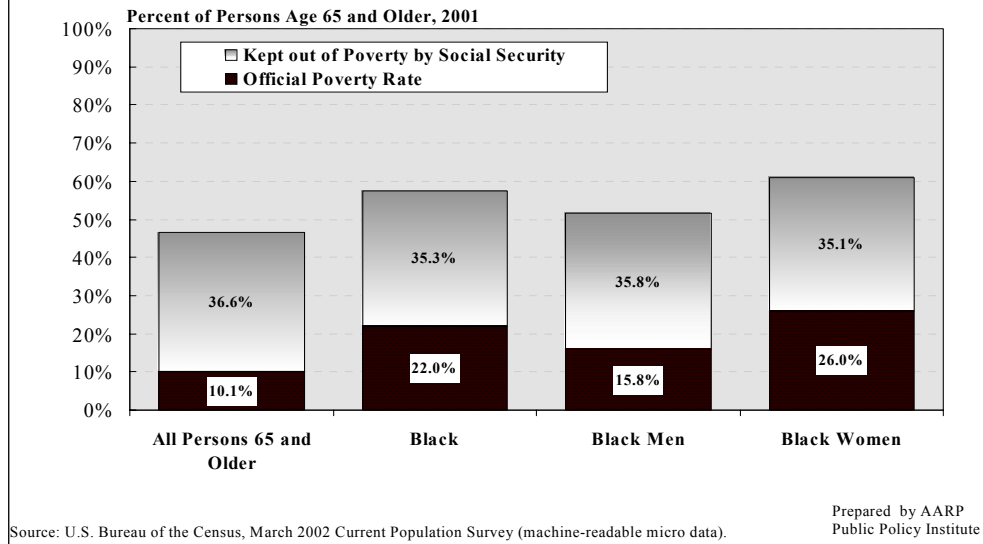
Life expectancy is the average number of years of life remaining to a person at a particular age. In order to assess the rates of return from Social Security, life expectancy at birth is a less useful measure than, for example, life expectancy at age 40, when most people are working; or life expectancy at 65, when many workers choose to retire. An average *white male* has a life expectancy of 74.8 years at birth, 37.1 years at age 40, and 16.3 years at age 65. The average *black male* has a life expectancy of 68.2 years at birth, 32.3 additional years at age 40, and 14.5 more years at age 65. At age 65, the difference in life expectancy between white and black males is less than two (1.8) years.⁶

Additionally, while a higher percentage of black men will contribute to Social Security without receiving *retirement* benefits, a higher percentage will receive *disability* benefits than the general population.

Social Security's family benefits are particularly important to African Americans.

Of those receiving Social Security benefits based on a deceased worker's record:⁷

Figure 1
Social Security Reduces the Percent of African Americans Age 65 and Older Living in Poverty



- African American children represent close to 23 percent of those receiving surviving child benefits.
- African American parents represent almost 17 percent of those receiving widowed mothers' and fathers' benefits.

African Americans represent more than 11 percent of the civilian labor force,⁸ but they comprise almost 18 percent of workers receiving Social Security Disability Insurance benefits.

Family members of disabled workers may also receive benefits.⁹

- African American children represent 21 percent of those receiving benefits as children of disabled workers.
- African Americans represent almost 14 percent of those receiving benefits as wives and husbands of disabled workers.

Social Security provides family protection.

Social Security benefits are indexed for inflation, and unlike an individual savings account, they cannot be depleted. Social Security's benefit formula ensures that those who earn lower wages receive proportionally higher benefits. Social Security ensures protection not only for the worker, but also for

the family of a worker who retires, is disabled or dies.

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¹ Kijakazi, Kilolo. 2001. *Low-Wage Earners: Options for Improving Their Retirement Income*. Washington, DC: Center on Budget and Policy Priorities (January).
² The rates shown are for retirement at normal retirement age.
³ *Low earners* are defined as having career earnings at 45 percent of the SSA average wage, *average earners* 100 percent, *high earners* 160 percent of the national average wage, and *maximum earners* are defined as earning the taxable maximum steadily across their working lives. Tables available at: www.ssa.gov/oact/tr/tr03/rbf11.
⁴ Social Security Administration. 2002. *Income of the Population 55 or Older, 2000*. Washington, DC. Table 1.3.
⁵ Ibid. Tables 7.4 and 6.B4 respectively.
⁶ Centers for Disease Control and Prevention. 2002. *National Vital Statistics Report*. Vol 51, No. 3, Tables 5. and 8.
⁷ Social Security Administration. 2002. *Annual Statistical Supplement, 2000*. Washington, DC. Tables 5.A1. 4 and 5.
⁸ Kijakazi, Kilolo. 1998. *African Americans, Hispanic Americans, and Social Security: the Shortcomings of the Heritage Foundation Reports*. Washington, DC: Center on Budget and Policy Priorities.
⁹ Social Security Administration. 2002. *Annual Statistical Supplement, 2000*. Washington, DC. Tables 5.A1. 3 and 4.