

WOMEN OF COLOR AND SOCIAL SECURITY

Women of color have a special stake in Social Security reform. The debate over the future of Social Security reform has not fully analyzed the unique circumstances of women of color.¹ With their low lifetime earnings and long life spans on average, African American and Hispanic women benefit greatly from Social Security's progressive benefit formula and lifelong, inflation-adjusted benefits. They also draw disproportionately on Social Security's benefits for disabled workers and for the families of workers who become disabled or die prematurely.

- **Women of color rely more heavily on Social Security for their retirement income than do whites of either sex or men of color.** Research from the Social Security Administration shows that for over 80% of nonmarried elderly African American and Hispanic women, Social Security provides over half of their income in retirement, and for over half, it represents 90% or more of their retirement income. By comparison, Social Security provides more than half of retirement income for 73% of nonmarried elderly white women, and for 40% the program provides 90% or more of retirement income. Nonmarried elderly African American and Hispanic women are also more reliant on Social Security than nonmarried African American and Hispanic men, respectively, though the disparity is somewhat greater among African Americans than among Hispanics. A similar disparity exists with married couples: one in five African American married couples and over one in four Hispanic married couples rely on Social Security for all of their income in retirement, compared to only one in ten white married couples.²
- **Women of color are long-lived, so Social Security's lifetime, inflation-protected benefits are especially important.** Social Security's promise of inflation-adjusted benefits that cannot be outlived is particularly important to women of color because of their relatively long life expectancies. (In contrast, African American men have shorter life expectancies at birth than whites and Hispanics of both genders and African American women, although they still gain substantial benefits from the program.³) African American women have the same life expectancy at birth and at age 20 (the age by which many people have entered the labor force) as do white men. At age 65, African American women can expect to live 17 more years, one year longer than white men. At age 65, Hispanic women can expect to live to age 87, longer than either white women or men.⁴ (See table below for life expectancy data.)

Life Expectancy by Race, Ethnicity and Gender, 1999			
	at birth	at age 20	at age 65
ALL RACES			
women	79	80	84
men	74	75	81
WHITE			
women	80	81	84
men	75	76	81
BLACK			
women	75	76	82
men	68	70	79
HISPANIC			
women	83	NA	87
men	75	NA	84

NA = not available
Sources: National Center for Health Statistics and U.S. Census Bureau⁵

- Women of color generally have low lifetime earnings that are ameliorated by Social Security’s progressive benefit formula.** Social Security is specifically designed to boost the retirement income of low earners by utilizing a progressive benefit formula that replaces a higher percentage of the pre-retirement income of low earners than high earners. The system replaces 54% of the average lifetime earnings for low-wage workers, compared to 25% for workers with the highest earnings.⁶ Women of color tend to be in lower-paying occupations, such as service and manufacturing jobs, and have considerably lower earnings than whites of either sex or men of color.⁷ The median weekly earnings of African American women working full-time is \$451; for Hispanic women, it is \$385. These figures represent 65% and 56% of the earnings of white men, respectively, and 87% and 74% of the earnings of white women, respectively.⁸ Moreover, African American women’s median weekly earnings are just 87% of African American men’s, and Hispanic women’s earnings are just 88% of Hispanic men’s.⁹
- Especially for women of color and their families, Social Security is more than just a retirement program: its disability and survivor benefits provide comprehensive family insurance in the event of premature death or disability of a worker.** About one in five African American and Hispanic beneficiaries are under the age of 55, indicating that they receive benefits other than retirement benefits, compared to only one in ten whites.¹⁰ African American women in particular rely disproportionately on these non-retirement aspects of the program because they have a higher rate of disability than whites of either sex,¹¹ and they and their families often survive deceased husbands. While African Americans make up 9% of all female beneficiaries,¹² African American women constitute 18% of female disabled worker beneficiaries.¹³ Social Security’s children’s benefits are also especially important to the African American community. Whereas 7% of all Social Security beneficiaries are children, 15% of African American

beneficiaries are children.¹⁴ In fact, African American children are almost four times more likely to be lifted out of poverty by Social Security than are white children.¹⁵

Privatizing Social Security would require deep cuts in all types of Social Security benefits, even for those who choose not to participate in private accounts. Diverting revenue from Social Security to fund private accounts, as the plans proposed by President Bush's Social Security Commission would do, takes trillions of dollars out of the Social Security program and thus would require deep cuts in Social Security's guaranteed benefits. The plan advanced by the Commission that relies least on transfers of general revenue to finance the high cost of transitioning to a system of private accounts would cut Social Security benefits for future retirees by over 45%.¹⁶ Because Social Security makes up a larger percentage of the retirement income of women of color than it does for white women or men of color, these cuts would have a disproportionate effect on them. Moreover, women of color and other low earners are especially unlikely to be able to make up for these cuts through their private accounts.

- **Private accounts, especially small ones, are unlikely to make up for cuts in retirement benefits.** In contrast to the progressivity built in to Social Security, the size of a private account depends on the amount a worker has to contribute, the return on investments, and administrative costs. The low lifetime earnings of women of color would translate into meager accounts upon retirement. Based on their median annual earnings, with a plan diverting two percentage points of payroll taxes into private accounts African American women would be able to invest about \$398 per year, and Hispanic women would be able to invest about \$296 per year¹⁷ — hardly enough to build a large nest egg, especially when management fees are deducted. For example, the Social Security Administration's Office of the Actuary estimates that a lifetime low-earner—who still earns more than the median Hispanic woman worker—could expect to accumulate about \$57,000 by retirement in an account created by investing two percent of earnings.¹⁸ Such an amount, stretched over an additional 17 or 22 years (for the average African American or Hispanic woman, respectively), is unlikely to make up for the cuts in Social Security benefits required by privatization for such an earner. In fact, Social Security Administration actuaries estimate that in 2075 the *combination* of Social Security benefits and private account proceeds will be between 10 and 35 percent less than the benefits promised under current law.¹⁹ And women who retire when the stock market is down or who earn less than average returns on their investments would fare even worse.
- **Private accounts, especially small ones, would be insufficient to make up for cuts in disability and survivor benefits.** The formulas for calculating retirement, disability and survivor benefits are tightly integrated with one another, making it virtually impossible to change one without affecting the others.²⁰ As a result, despite promises by various members of President Bush's Social Security Commission that their plans would protect disability and survivor benefits from benefit cuts, the reduction in retirement benefits required by the Commission's plans means a similar reduction in disability and survivor benefits, as the Commission's final report acknowledges.²¹ Privatization is especially harmful in the event of death or disability at a young age, because there is little time to accumulate much in the private account, providing little protection to that worker's family. A study by the National Urban League, for example, found that a typical African American man dying in his thirties

would only have enough in his private account to cover less than two percent of the survivor's benefits now provided by Social Security to his widow and children.²² Because of African American women's lower average earnings, they would accumulate even less in such an account.

Improving retirement security for women of color can best be accomplished by adding to, not privatizing, Social Security. Social Security benefits have reduced poverty among elderly women of color by about 50%,²³ but disproportionate numbers of women of color are still poor. In 2000, 26% of older African American women, 20% of older Hispanic, and 11% of older white women lived in poverty, as compared to 17% of older African American men, 18% of older Hispanic men, and 7% of older white men.²⁴ Social Security benefits can and should be improved to reduce poverty further. For example, improving Social Security's minimum benefit could provide women of color and other low-wage earners with substantial work records a Social Security retirement benefit that would keep them above the poverty level. And because the majority of older African American, Hispanic, and white women who live in poverty are widows,²⁵ they would gain from making improvements to the widow's benefit.²⁶ Outside of Social Security, improvements to Supplemental Security Income, the program funded by general revenues that provides a safety net for poor elderly, blind and disabled people, would increase retirement security for elderly women of color and others with very limited work histories.²⁷ Finally, women of color need greater access to pensions and savings in addition to, not as a substitute for, a secure, lifetime stream of income from Social Security.

Strengthening Social Security is feasible, if privatization schemes do not divert trillions of dollars into private accounts and we make it a priority. The long-term cost of the tax cut passed last year is more than twice as large as the long-term shortfall in Social Security, and its benefits go overwhelmingly to the wealthiest 5% of taxpayers,²⁸ and the largest 2% of estates.²⁹ Postponing the parts of the tax cut that have yet to take effect and that benefit only the wealthiest taxpayers would enable us to increase economic security for women of color and other vulnerable populations.

ENDNOTES

- ¹ The data available on women of color are very limited, as research tends to be presented by race/ethnicity or by sex, but not by race/ethnicity *and* sex. Where such information does exist, it is usually available for African American women and occasionally for Hispanic women. Data on women of color from other racial and ethnic groups are virtually nonexistent.
- ² Social Security Administration, *Income of the Population 55 or Older* (2002), Table 6.B4. The term “nonmarried” refers to any person who is not presently married, including those who are divorced, widowed, or have never been married.
- ³ See, for example, Kilolo Kijakazi, Center on Budget and Policy Priorities, *African Americans, Hispanic Americans, and Social Security: The Shortcomings of the Heritage Foundation Reports* (October 8, 1998); Bernard Wasow, The Century Foundation, “Setting the Record Straight: Two False Claims about African Americans and Social Security” (March 2002); Maya Rockey Moore, National Urban League, “Social Security Reform and African Americans: Debunking the Myths” (August 2001).
- ⁴ *Id.* and Social Security Administration, “Fact Sheet: Social Security is Important to Hispanics,” (February 2002), available at <http://www.ssa.gov/pressoffice/hispanfacteng.htm>.
- ⁵ Data for all races, whites, and blacks are from the National Center for Health Statistics, *National Vital Statistics Report*, Vol. 49, No. 12, Table 6 (October 9, 2001). Data for Hispanics are from the U.S. Census Bureau, Current Population Reports P25-1130, *Population Projections of the United States by Age, Sex, Race, and Hispanic Origin: 1995 to 2050*, Table B-2, Appendix B, p. B-3 (February 1996), available at <http://www.census.gov/prod/1/pop/p25-1130/p251130.pdf>. The two sources are not exactly comparable. While the former source is regarded as more reliable than the latter since it is the official source of the country’s vital statistics, it does not provide statistics about Hispanics. Therefore, the Census Bureau figures, created for the purpose of projecting population growth, were used for Hispanics.
- ⁶ Social Security Administration, *The 2002 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds*, Table VI.E.11 (2002), available at <http://www.ssa.gov/OACT/TR/TR02/index.html>. The highest earners are those who throughout their working lives earned wages at or above the maximum level subject to the payroll tax. In 2002, this maximum level is \$84,900.
- ⁷ Kilolo Kijakazi, “Low-Wage Earners: Options for Improving Their Retirement Income,” in National Academy of Social Insurance, *The Future of Social Insurance* at 45 (2002).
- ⁸ NWLC calculations based on Department of Labor, Bureau of Labor Statistics, Current Population Survey, Household Annual Averages, Table 37 (March 2001), available at www.bls.gov/cps/cpsaat37.pdf.
- ⁹ *Id.*
- ¹⁰ Social Security Administration, *Annual Statistical Supplement, 2001*, Tables 3.C7 (for data on blacks and whites) and 3.C8 (for Hispanics) (NWLC calculations).
- ¹¹ Lita Jans and Susan Stoddard, U.S. National Institute on Disability and Rehabilitation Research, *Chartbook on Women and Disability in the United States*, Data Tables, Figure 5 (1999), available at http://www.infouse.com/disabilitydata/womendisability_datatables.html.
- ¹² Social Security Administration, *Annual Statistical Supplement, 2001*, Table 5.A7 (NWLC calculations).
- ¹³ *Id.* (NWLC calculations).
- ¹⁴ *Id.*, at Table 5.A1 (NWLC calculations). Figures are for children under age 18.
- ¹⁵ Maya Rockey Moore, National Urban League, “Social Security Reform and African Americans: Debunking the Myths” at 3 (2001).
- ¹⁶ Stephen Goss, Chief Actuary, Social Security Administration, Memorandum to Daniel Patrick Moynihan and Richard Parsons, Co-Chairs, President’s Commission to Strengthen Social Security, “Estimates of Financial Effects for Three Models Developed by the President’s Commission to Strengthen Social Security,” at 78 (January 31, 2002).
- ¹⁷ NWLC calculations based on median earnings of \$19,902 for all African American women workers and \$14,785 for all Hispanic women workers. Census Bureau and Department of Labor, Bureau of Labor Statistics, *Money Income in the United States: 2000*, Table PINC-05 (September 2001), available at http://ferret.bls.census.gov/macro/032001/perinc/new05_000.htm.

¹⁸ See *supra* Goss note 16 at 73. This figure is in 2001 dollars and assumes an administrative fee of 0.3%. The memorandum's "low earner" earns \$15,875, while the median Hispanic woman worker earns only \$14,785. The median earnings of African American women workers—\$19,902—are 25% higher than the "low earner" analyzed by the actuary. If we assume that they would therefore on average accumulate 25% more in private accounts than the "low earner" would, African American women could expect to accumulate about \$71,000. Census Bureau and Department of Labor, Bureau of Labor Statistics, *Money Income in the United States: 2000*, Table PINC-05 (September 2001), available at http://ferret.bls.census.gov/macro/032001/perinc/new05_000.htm.

¹⁹ See *supra* Goss note 16. The tables on pages 75 and 78 demonstrate that for Plan 2, if couples were to annuitize the accumulated assets in their accounts, the combination of their monthly annuity payments and their regular Social Security benefits would be less than benefits promised under current law.

²⁰ Kathy Larin and Robert Greenstein, Center on Budget and Policy Priorities, "Social Security Plans That Reduce Social Security Retirement Benefits Substantially Are Likely to Cut Disability and Survivors Benefits as Well" (December 15, 1998), available at <http://www.cbpp.org/12-15-98socsec.htm>.

²¹ Report of the President's Commission to Strengthen Social Security, *Strengthening Social Security and Creating Personal Wealth for All Americans* (December 21, 2001), pp. 107 and 149 available at http://www.csss.gov/reports/Final_report.pdf. The survivor and disability benefits will both be based on the reduced retired worker benefits required by the plans.

²² Maya Rockey Moore, National Urban League, "Social Security Reform and African Americans: Debunking the Myths" at 4 (2001).

²³ Kilolo Kijakazi, "Low-Wage Earners: Options for Improving Their Retirement Income," in National Academy of Social Insurance, *The Future of Social Insurance* (2002).

²⁴ Census Bureau and Department of Labor, Bureau of Labor Statistics, *Poverty in the United States: 2000*, Table 2 (September 2001), available at http://ferret.bls.census.gov/macro/032001/pov/new02_000.htm.

²⁵ Christina Smith Fitzpatrick and Joan Entmacher, Presentation to 12th Annual Conference of the National Academy of Social Insurance, "Increasing Economic Security for Elderly Women by Improving Social Security Survivor Benefits" at 6-7 (January 2000).

²⁶ Christina Smith FitzPatrick and Joan Entmacher, "Widows, Poverty, and Social Security Policy Options," National Academy of Social Insurance Social Security Brief No. 9 (August 2000).

²⁷ Kilolo Kijakazi, Center on Budget and Policy Priorities, "Women's Retirement Income: The Case for Improving Supplemental Security Income," Prepared for the 2001 Institute for Women's Policy Research Conference (June 8, 2001).

²⁸ Citizens for Tax Justice, "Kennedy Tax Freeze Keeps Bush Tax Cuts for All But Richest" (January 22, 2002), and NWLC calculations based on David Campbell and Michael Parisi, "Individual Income Tax Rates and Tax Shares, 1998," *Statistics of Income Bulletin*, Volume 20, Number 4, Table 1 (Spring 2001).

²⁹ Joint Committee on Taxation, "Present Law and Background on Federal Tax Provisions Related to Retirement Savings Incentives, Health and Long-term Care, and Estate and Gift Taxes" (June 16, 1999), available at <http://www.house.gov/jct/x-29-99.htm>.