



AFRICAN AMERICANS AND SOCIAL SECURITY: A PRIMER

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**JOINT CENTER FOR POLITICAL AND ECONOMIC STUDIES
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FOREWORD

Social Security—formally the Old Age, Survivors and Disability Insurance (OASDI) program—is an integral part of the nation’s social safety net. In the event of disability, death or retirement, Social Security benefits are available to a worker and/or to the worker’s dependents. Social Security benefits are often the only source of income for African Americans, especially for retirees. For two of every five African American retiree households age 65 or older, Social Security benefits are the only source of support.

Although many African Americans depend on Social Security benefits to meet their basic needs, the value of the program to this group is often debated and sometimes misrepresented or discounted. At a time when the nation is seeking to put its financial house in order, approaches also are being considered to reform Social Security to guarantee its solvency and sustainability into the future. The Joint Center for Political and Economic Studies, with support from AARP, prepared this primer to spell out the facts about how the disability, survivor and retirement programs under OASDI serve African Americans.

I would like to thank Dr. Wilhelmina A. Leigh of the Joint Center for developing this primer as a resource for audiences throughout the nation when Social Security reform is debated over the coming months. We at the Joint Center look forward to engaging in these deliberations to ensure that the Social Security system remains an unfrayed part of our social safety net and continues to help meet the needs of American workers and their dependents.

Ralph B. Everett
President and CEO
Joint Center for Political and Economic Studies

From a youth with a disabled father, to a widowed mother with minor children, to a retiree age 80, African Americans value and depend on the Social Security system and its benefits. During public discourse about the need to reform or modify the current system, however, the value of Social Security to black Americans is often debated and sometimes misrepresented or discounted. For example, some erroneously believe that because of their shorter life expectancy, African Americans do not benefit from the Social Security system. This primer provides facts and figures to illuminate the many ways black Americans participate in and benefit from Social Security.

- Social Security benefits are the only source of income for two of every five African American retiree households age 65 or older receiving benefits.¹
- More than a third of African Americans expect Social Security to be their major source of retirement income.
- One of every five children (nearly 21 percent) who receive Social Security disability benefits is African American, although they are only 15 percent of all children in the United States.

The Social Security system provides insurance against the loss of income due to death, disability and retirement.

Social Security—formally the Old Age, Survivors and Disability Insurance (OASDI) program—is a social insurance program established in 1935 to provide benefits to workers and to their families in the event of death, disability or retirement. As of December 2008, nearly 51 million Americans, including more than 5 million African Americans, received benefits from the OASDI program.

Benefits for workers in covered employment² and their dependents are paid for by taxes on the wages of individual workers (Federal Insurance Contributions Act, or FICA, taxes) and on the earnings of the self-employed (Self-Employment Contributions Act, or SECA, taxes).

1 Retiree households age 65 or older—formally known as beneficiary units—are households that include Social Security beneficiaries, who may be either married couples (at least one of whose members is 65 or older) or non-married individuals age 65 or older.

2 Two of the biggest groups of workers excluded from covered employment are state and local government employees covered by public retirement systems and Federal workers hired before 1984.

Payroll taxes of 6.2 percent on up to \$106,800 (2010) of earnings are levied on both employers and employees to support the Social Security system. (Self-employed workers pay both shares of the payroll tax.) To qualify for Social Security retirement benefits, a worker has to earn a total of 40 credits in the system.³ One credit is earned for each \$1,120 (2010) of earnings, up to the maximum of four credits per year. Benefits are calculated by applying a progressive formula to the lifetime earnings of covered workers. Under this formula, low-wage lifetime earners receive a larger proportion of lifetime earnings as monthly benefits, than do high-wage workers.

Retirement benefits are available to eligible workers beginning at age 62 (early retirement age). However, claiming benefits any time before full retirement age (currently 66) results in a permanent reduction in monthly benefits; delaying claiming benefits until after full retirement age (up until age 70) results in a permanent increase in monthly benefits. Social Security is a pay-as-you-go system under which the taxes collected in a given year are used to make payments to beneficiaries that same year. The pay-as-you-go balance of the system is expected to worsen within the coming 75 years due to sociodemographic factors, such as the aging of the Baby Boom cohort,⁴ declining birth rates,⁵ and lengthening life expectancies.⁶ If no changes are made to the system, Social Security is projected to be able to pay full benefits until 2037 and approximately 75 percent of benefits after that. Reforms to avert insolvency for the Social Security system are being considered publicly, often in concert with discussions about reducing the federal budget deficit.

3 Disabled workers and survivors of deceased workers can become eligible for benefits with fewer than 40 quarters of coverage. The number of credits needed to be eligible for these benefits depends on the age the worker died or became disabled and the type of benefit.

4 The Baby Boom cohort, born between 1946 and 1964, is one of the biggest in our nation's history. In the near future its members will tap into the Social Security system in record numbers as retirees.

5 Birth rates for blacks and whites in the U.S. have declined since 1990. Low birth rates translate into fewer workers whose payroll taxes will support an increasing number of beneficiaries.

6 Longer life expectancies increase the number of years over which benefits will be paid to the average beneficiary. Although life expectancies are increasing among the U.S. population overall, notable differences persist among racial/ethnic subgroups. Some groups such as African Americans have lower life expectancy, while others such as Japanese Americans have higher life expectancy. In addition, as a result of increasing inequality in life expectancy by income over the past three decades, on average, workers in the lower half of the wage distribution can expect to receive fewer years of retirement benefits than their counterparts in the upper half of the wage distribution. See D. Baker, D. Rosnick, *The Impact of Income Distribution on the Length of Retirement* Center for Economic and Policy Research Issue Brief, October 2010, at <http://www.cepr.net/documents/publications/ss-2010-10.pdf> (accessed 29 October 2010).

Social Security is a major source of income for African Americans.

Social Security benefits constitute a large share of income for African American retiree households 65 years or older receiving benefits,⁷—72 percent of income on average among this group.⁸ For 28 percent of black married couples 65 years or older, Social Security benefits provide 90 percent or more of income. Social Security payments provide 90 percent or more of income for 54 percent of unmarried African Americans age 65 or older. In addition, Social Security benefits are the only source of income for two of every five (40 percent of) African American retiree households age 65 or older.⁹ (See Figure 1.)

Thus, the responses from African American adults (ages 18 and over), when queried about their expected major source of retirement income, are not surprising. In both 1998 and 2009, African Americans were more likely than whites to respond that Social Security was their expected major source of retirement income. In 1998, more than a third of black respondents (35 percent)—compared to half as many white respondents (17 percent)—indicated that they expected Social Security to be their major source of retirement income. In 2009, a comparable share of African Americans (36.6 percent), and more than a fourth of whites (26.5 percent) had this expectation.¹⁰ Importantly, if future retirees are as reliant on Social Security as current retirees, many African Americans may significantly underestimate the importance of Social Security to their future retirement security. (See Figure 2.)

African American children are more likely than white children to receive Social Security benefits.

African American children¹¹ are more likely than white children to receive Social Security benefits of all types—as survivors of

a deceased worker, as dependents of a disabled worker, or as dependents of a retired worker.

- More than five percent of all black children but only three percent of all white children receive Social Security benefits of any type.¹²
- Children constitute a larger proportion of black Social Security beneficiaries (11.8 percent) than they do of white beneficiaries (4.3 percent).¹³
- Nearly one of every five (19.5 percent) children who receive Social Security benefits is African American, although African Americans are only 15 percent of all U.S. children.¹⁴
- One of every five children (nearly 21 percent) who receive Social Security disability benefits is African American, although they are only 15 percent of all children in the United States.¹⁵
- The proportion of children out of all black survivor beneficiaries (49 percent) is more than double the proportion of children among all white survivor beneficiaries (23 percent).¹⁶

12 Joint Center tabulation based on data from Social Security Administration, *Annual Statistical Supplement 2009* Table 5.A.1, at <http://www.ssa.gov/policy/docs/statcomps/supplement/2009/supplement09.pdf> (accessed 27 October 2010) and from U.S. Census Bureau, Population Division, June 2010, *Table 4. Annual Estimates of the White Alone Resident Population by Sex and Age for the United States: April 1, 2000 to July 1, 2009 (NC-EST2009-04-WA)* and *Table 4. Annual Estimates of the Black or African American Alone Resident Population by Sex and Age for the United States: April 1, 2000 to July 1, 2009 (NC-EST2009-04-BA)*, at <http://www.census.gov/popest/national/asrh/NC-EST2009-asrh.html> (accessed 29 October 2010).

13 Social Security Administration, *Annual Statistical Supplement 2009* Table 5.A.1.4 and Table 5.A.1.4, at <http://www.ssa.gov/policy/docs/statcomps/supplement/2009/supplement09.pdf> (accessed 27 October 2010).

14 Joint Center tabulation based on data from Social Security Administration, *Annual Statistical Supplement 2009* Table 5.A1.4, at <http://www.ssa.gov/policy/docs/statcomps/supplement/2009/supplement09.pdf> (accessed 27 October 2010) and from U.S. Census Bureau, Population Division, June 2010, *Table 4. Annual Estimates of the White Alone Resident Population by Sex and Age for the United States: April 1, 2000 to July 1, 2009 (NC-EST2009-04-WA)* and *Table 4. Annual Estimates of the Black or African American Alone Resident Population by Sex and Age for the United States: April 1, 2000 to July 1, 2009 (NC-EST2009-04-BA)*, at <http://www.census.gov/popest/national/asrh/NC-EST2009-asrh.html> (accessed 29 October 2010).

15 Joint Center tabulation based on data from Social Security Administration, *Annual Statistical Supplement 2009* Table 5.A1.4, at <http://www.ssa.gov/policy/docs/statcomps/supplement/2009/supplement09.pdf> (accessed 27 October 2010) and from U.S. Census Bureau, Population Division, June 2010, *Table 4. Annual Estimates of the Black or African American Alone Resident Population by Sex and Age for the United States: April 1, 2000 to July 1, 2009 (NC-EST2009-04-BA)*, at <http://www.census.gov/popest/national/asrh/NC-EST2009-asrh.html> (accessed 29 October 2010).

16 Social Security Administration, *Annual Statistical Supplement 2009* Table 5.A1, at <http://www.ssa.gov/policy/docs/statcomps/supplement/2009/supplement09.pdf> (accessed 27 October 2010).

7 See footnote 1 for the definition of retiree households 65 years or older receiving benefits.

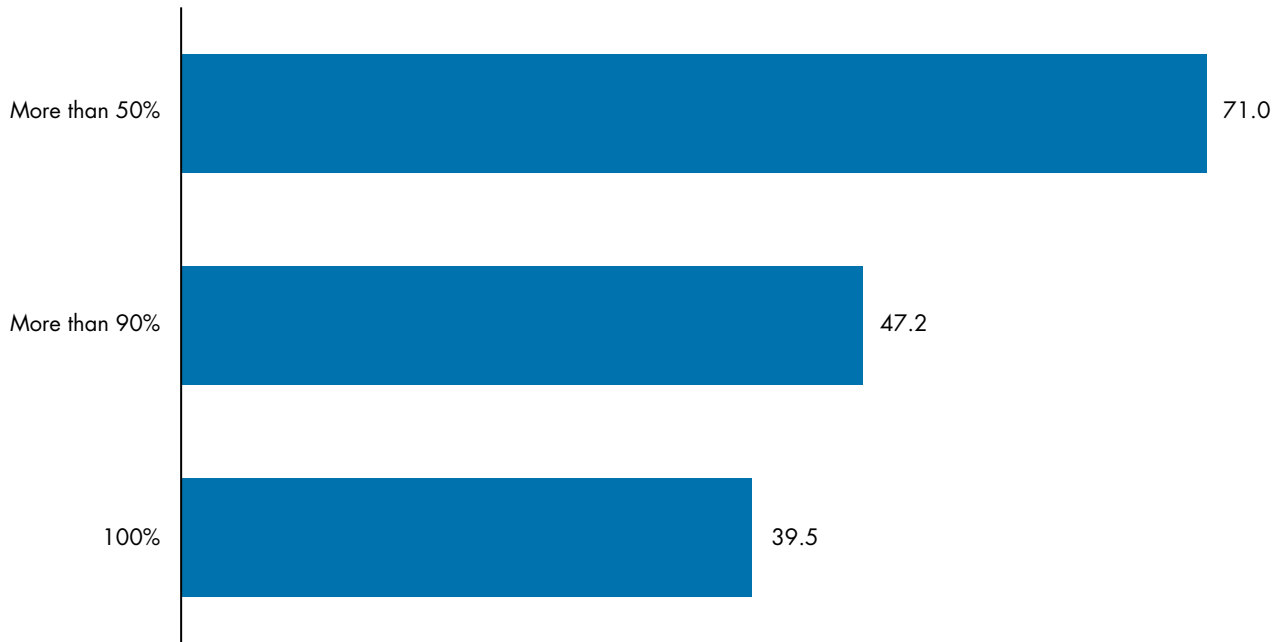
8 Social Security Administration, *Income of the Population 55 or Older, 2008* SSA Publication No. 13-11871, Table 9.A3, April 2010, at http://www.ssa.gov/policy/docs/statcomps/income_pop55/2008/incpop08.pdf (accessed 27 October 2010).

9 Social Security Administration, *Income of the Population 55 or Older, 2008* SSA Publication No. 13-11871, Table 9.A3, April 2010, at http://www.ssa.gov/policy/docs/statcomps/income_pop55/2008/incpop08.pdf (accessed 27 October 2010).

10 W.A. Leigh and A.L. Wheatley, *Retirement Savings Behavior and Expectations of African Americans: 1998 and 2009* January 2010, at <http://www.jointcenter.org> (accessed 27 October 2010).

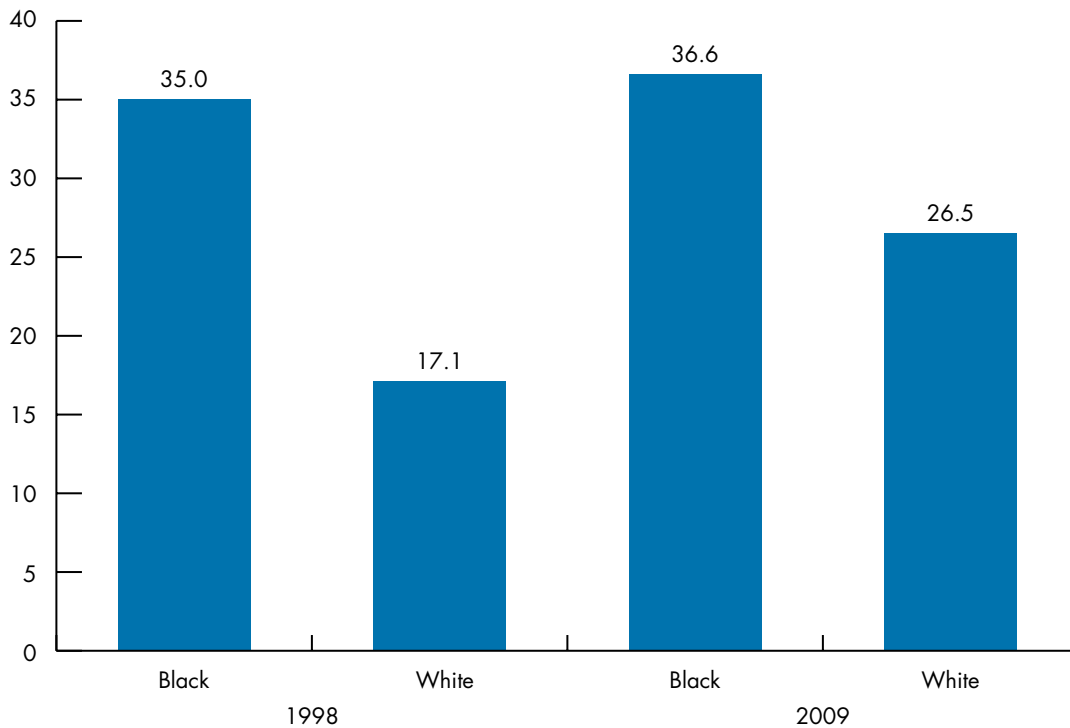
11 In the calculations throughout this primer, the numbers used for children are for persons under age 18 only. When determining benefit eligibility, however, the Social Security Administration (SSA) uses a broader definition of children. In addition to youth under age 18, the SSA counts as children students ages 18 and 19 as well as disabled adult children. Disabled adult children are adults who are considered as children because their disability occurred during childhood.

FIGURE 1: SOCIAL SECURITY AS PERCENT OF INCOME FOR AFRICAN AMERICAN RETIREE HOUSEHOLDS AGES 65 OR OLDER THAT ARE RECEIVING BENEFITS, 2008



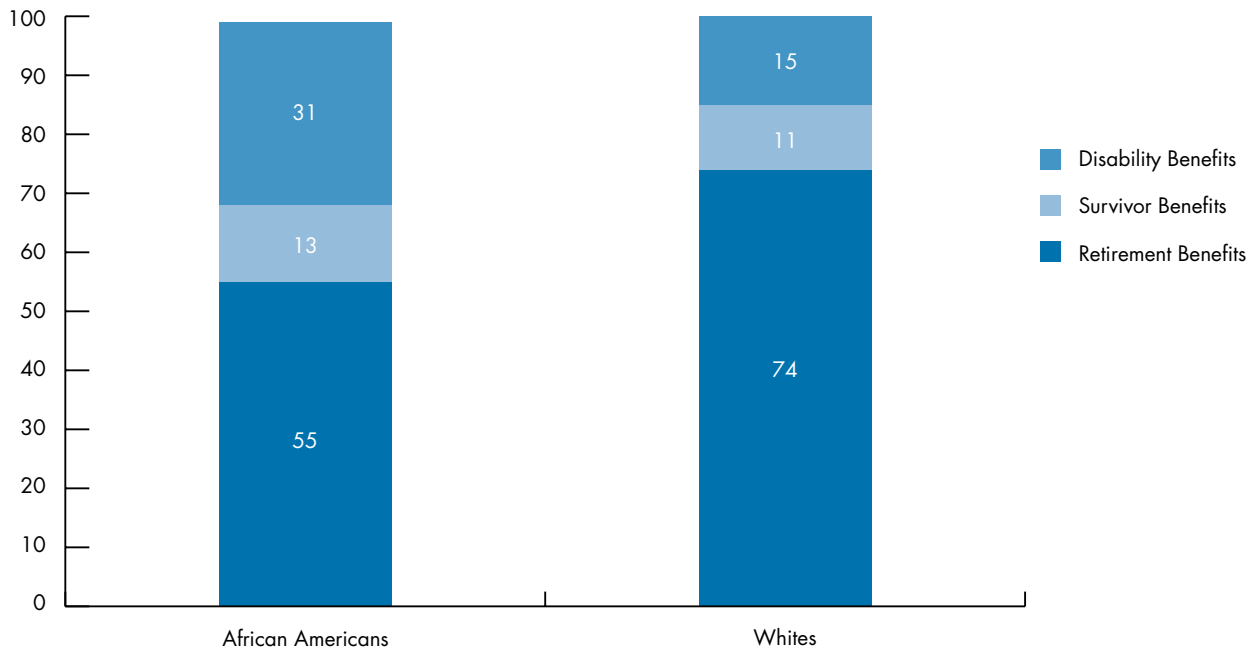
Source: Social Security Administration, *Income of the Population 55 or Older, 2008*, Table 9.A3, at <http://www.ssa.gov>

FIGURE 2: SOCIAL SECURITY AS EXPECTED MAJOR SOURCE OF RETIREMENT INCOME, 1998 AND 2009 (PERCENT)



Source: *Retirement Savings Behavior and Expectations of African Americans: 1998 and 2009* (January 2010), at <http://www.jointcenter.org>.

FIGURE 3: BENEFICIARY TYPE BY RACE, 2008 (PERCENT)



Source: Social Security Administration, *Annual Statistical Supplement 2009*, Table 5.A1, at <http://www.ssa.gov>

African Americans are more likely than white Americans to receive survivor benefits and disability benefits.

Among Social Security beneficiaries, African Americans are more likely than whites to receive both survivor benefits and disability benefits. Because African Americans are more likely than whites to work in hazardous jobs,¹⁷ the relative frequency with which black workers receive disability benefits and with which their spouses and children receive disability and survivor benefits is greater than for white workers. More than one of every eight (13 percent) black Americans who receive Social Security benefits gets survivor benefits, in contrast to about one of every 10 white Americans (11 percent). The comparison for disabled beneficiaries is more striking, with African American Social Security beneficiaries (31 percent) more than twice as likely as white recipients (15 percent) to receive these benefits. (See Figure 3.) In addition, black workers who are Social Security disability beneficiaries are a larger proportion of the working age (18 or older) black population (4.4 percent)

than white workers who are disability beneficiaries are of the working age white population (2.7 percent).¹⁸

African Americans get back more from Social Security.

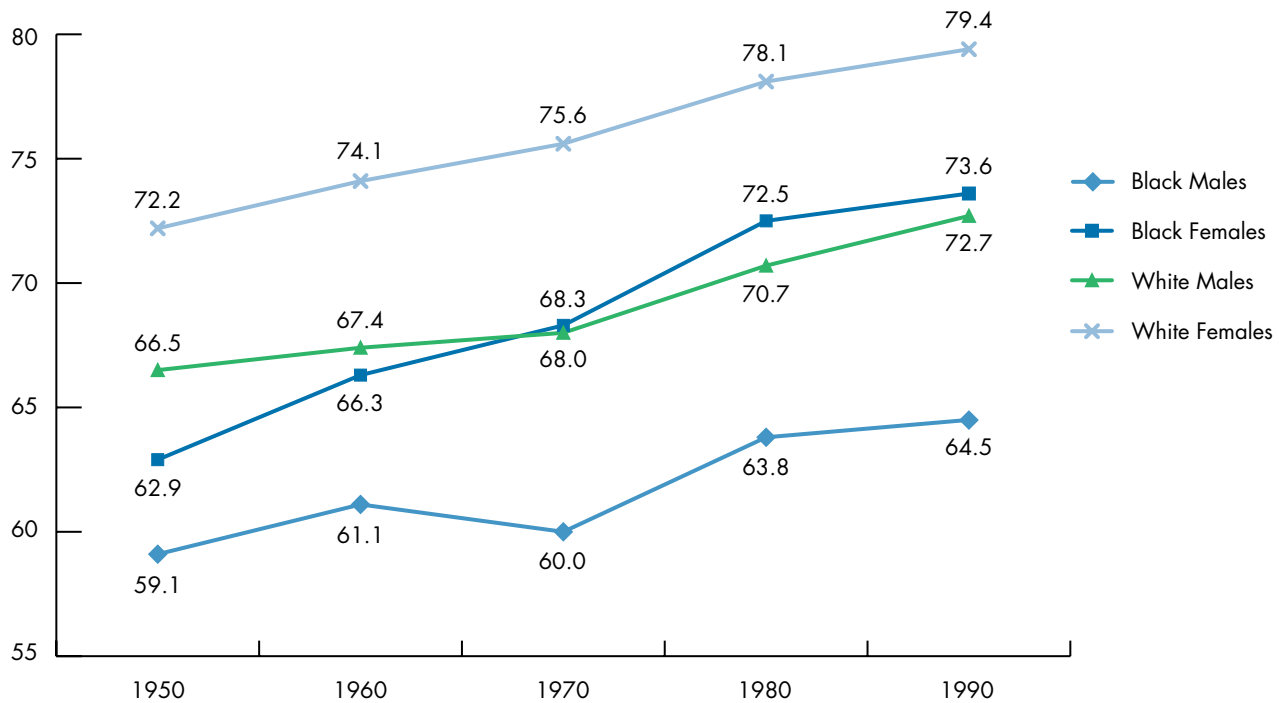
An analysis by the U.S. General Accounting Office¹⁹ found that compared to white Americans, African Americans receive from Social Security a *higher rate of return*—defined as the relationship between benefits received and taxes paid into the system. Differences in the rates of return were due primarily to differences between the groups in lifetime earnings, and in the incidence of disability and of death. Lifetime earnings are the basis for calculating Social Security payments, using a formula that replaces a larger proportion of pre-retirement covered earnings for low-income earners than for high-income earners. African Americans are more likely than white Americans to

17 D. Loomis and M. Schulz, "Mortality from six work-related cancers among African Americans and Latinos," *Am J Ind Med* 2000 38(5): 565-75 and D. Loomis and D. Richardson, "Race and the risk of fatal injury at work," *Am J Public Health* 1998; 88:40-44.

18 See footnote 12 for sources.

19 The U.S. General Accounting Office is now the U.S. Government Accountability Office. See United States General Accounting Office, *Social Security and Minorities: Earnings, Disability Incidence, and Mortality Are Key Factors That Influence Taxes Paid and Benefits Received* GAO-03-387, April 2003, at <http://www.gao.gov/new.items/d03387.pdf> (accessed 27 October 2010).

FIGURE 4: LIFE EXPECTANCY FROM BIRTH, BY RACE AND GENDER, 1950-1990 (YEARS)



Source: National Center for Health Statistics, *Health, United States, 2009: With Special Feature on Medical Technology*, Table 24, at <http://www.cdc.gov/nchs/data/hus/hus09.pdf>

be lifetime low-wage earners²⁰ and to thereby receive a greater return from taxes paid into the system over their working lifetime. In addition, black Americans are disproportionately likely to be disabled,²¹ a fact that also increases their return from the Social Security program. Disabled individuals generally begin to receive benefits at younger ages and often receive these benefits for a greater number of years than do retirees.

African American beneficiaries are less likely than whites to receive Social Security retirement benefits.

Nearly three of every four white beneficiaries (74 percent), but about half of black beneficiaries (55 percent), receive Social Security retirement benefits. (See Figure 3.) This difference reflects not only the greater likelihood that African Americans receive disability and survivor benefits but also, in

part, the shorter life expectancy of African Americans.²² In addition, black beneficiaries on average receive smaller monthly retirement benefit payments than do whites. In 2008, the average monthly Social Security retirement benefit received by African American men was \$1,109.30; for African American women it was \$945.50. The average monthly retirement benefit for white men was \$1,333.80; for white women it was \$1,014.50.²³ These different average benefit payments primarily reflect differences in total lifetime earnings.²⁴

African American beneficiaries are less likely than whites to receive retirement benefits, in part, because they are less likely to live long enough to become beneficiaries at age 62 (the early retirement eligibility age) or older. For example, black Americans born in 1950 (age 60 in 2010) have a life expectancy from birth of 60.8 years. The life expectancy for these black males is 59.1 years; for these black females, it is 62.9 years.

20 The low-income labor force (persons in the labor force for 27 weeks or more who earned poverty-level wages) is disproportionately African American (21.4 percent), when compared to the U.S. population overall (12.8 percent African American). See U.S. Department of Labor, U.S. Bureau of Labor Statistics, *A Profile of the Working Poor, 2007* Report 1012, March 2009, at <http://www.bls.gov/cps/cpswp2007.pdf> (accessed 29 October 2010).

21 African American workers are disproportionately more likely to be disabled—12.3 percent of the U.S. population but 17 percent of disabled workers. See Social Security Administration, *Fact Sheet: Social Security is Important to African Americans*, June 2010, at <http://www.ssa.gov/pressoffice/factsheets/africanamer.htm> (accessed 28 October 2010).

22 National Center for Health Statistics, *Health, United States, 2009*, Table 24, January 2010, at <http://www.cdc.gov/nchs/data/hs/hs09.pdf> (accessed 27 October 2010).

23 Social Security Administration, *Annual Statistical Supplement 2009* Table 5.A.6, at <http://www.ssa.gov/policy/docs/statcomps/supplement/2009/supplement09.pdf> (accessed 27 October 2010).

24 The low total lifetime Social Security-covered earnings of African Americans are the result of a variety of factors, including lower wages earned and greater time not in the labor force due to unemployment, health problems, or disability.

The life expectancies from birth for their white counterparts, however, are significantly greater-- 69.1 years for both sexes combined, 66.5 years for males, and 72.2 years for females. (See **Figure 4.**)

Proposals to reform the system by increasing the full retirement age are likely to further reduce the already low levels of Social Security retirement income that African Americans receive.

Because of their higher concentration in more physically-demanding jobs, a larger proportion of African Americans may be unable to work longer and will claim retirement benefits early. Thus, an increase in the full retirement age may result in a larger reduction of monthly Social Security benefits for African Americans than for those who can and will work longer before retiring.

Conclusion

African Americans benefit significantly from the Social Security program—as retirees, as disabled workers or their dependents, and as survivors of deceased workers. Although black Americans are more likely than white Americans to receive disability and survivor benefits and less likely to receive retirement benefits, their return from taxes paid into the Social Security system exceeds that of whites. In addition, older African Americans are more reliant on Social Security benefits than other groups. Thus, conversations about modifying the Social Security system must include voices of African Americans and other racial/ethnic subpopulations whose dependence on the system is great but whose patterns of usage may differ from the norm.

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