

## ASIAN AMERICANS, PACIFIC ISLANDERS AND SOCIAL SECURITY: A PRIMER

Social Security is a critical income source for Asian and Pacific Islander Americans.

- ❖ Social Security keeps 19% of older Asian and Pacific Islander Americans (APAs) out of poverty. However, 13.1% of these elders still live in poverty, compared to 9.5% of all elders.
- ❖ Among Asians and Pacific Islanders age 65 and older receiving Social Security income, 29% of married couples and 60% of unmarried persons relied on that income for more than 90% of their incomes.
- ❖ Social Security's annual cost-of-living adjustments are particularly important to Asian elders because their life expectancy at age 65 is three years longer than all Americans.
- ❖ Disability Insurance is the most important source of income for disabled APA people of all ages; of those receiving SSDI, 56.2% relied on Disability Insurance for more than 75% of their incomes.
- ❖ Language, cultural issues, and lack of awareness of the Social Security program present a barrier for many foreign-born Asians to access critical benefits to which they are entitled.<sup>1</sup> Currently, 70.6% do not speak English at home, and require outreach from trusted community based organizations to connect them to services.

### Introduction

The Social Security Act of 1935 was intended to provide working Americans and their family members with a source of reliable, guaranteed income when they retired or became disabled or because of the death of the primary earner. At that time, Asians (people from the Far East, Southeast Asia, or the Indian subcontinent) were not affected, because they were barred from immigration and the few residing in the U.S. were ineligible for citizenship. The Immigration Act of 1965 finally allowed Asians equal access to immigration and naturalization. People from the Pacific Islands, almost half of them Native Hawaiian, are often grouped with Asians as Asian Pacific Americans (APA). It wasn't until the 2000 census that they became their own category. Between 1970 and 2008, the population grew tenfold, from 1.5 million<sup>2</sup> to 15.5 million.<sup>3</sup>

The APA population is economically and culturally more diverse than other racial and ethnic categories, leading to confusing data and misleading generalizations that could affect Social Security's perceived benefit to APAs. For example, immigration status is a significant factor for Asians

that limits their access to Social Security programs. Foreign-born Asians, more than half of whom are citizens, outnumber their native-born counterparts by a third.<sup>4</sup> However, immigration plays a minor role for Pacific Islanders: 87% of Pacific Islanders are native born.<sup>5</sup>

Recent studies show that Asians have higher rates of savings in private retirement accounts than other populations. This observation might lead some to conclude that Asians need Social Security less,<sup>6</sup> and that all APAs are doing well. However, such conclusions are inaccurate, because unlike other groups, the APA economic profile is bipolar, with many people at both the high and low ends; in addition, there is wide variation by ethnicity. At the top end, highly educated Chinese and South Asians have been recruited by U.S. companies for high-wage jobs, but rural Southeast Asian refugees arrived with neither marketable skills nor financial resources.<sup>7</sup> Thus, while the median household income for Asians of all ages is higher than that of whites – \$52,000 versus \$45,000 in the last census – Asian Indian families made \$64,000 while Cambodian median family income was \$35,000. Household data do not tell the whole story either, since Asians tend to live with extended family members; Asian median personal income was \$22,000 compared to \$25,000 for whites.<sup>8</sup> The foreign-born of all ethnicities have a poverty rate of 19%, compared to 13.7% for native-born persons.<sup>9</sup> In addition, Pacific Islanders have a lower per capita income than all households and also than all APAs.<sup>10</sup> Thus, Social Security is much needed by the disproportionate numbers of APAs at the lower end of the income spectrum.

To date, the specific ways in which Asian Pacific American workers utilize Social Security has not been studied. This primer is intended as a starting point to fill that gap. There is a lack of disaggregated information, which masks significant differences within the APA category. While some points in this paper will apply only to Asians, most of the data is for APAs as a whole. Because this population is projected to almost double again by 2050, rising to 9% of all Americans,<sup>11</sup> more research is needed to ensure their future needs are met as reform of the Social Security program is considered.

### **Social Security is of Irreplaceable Value to Asian Americans and Pacific Islanders**

Social Security provides an element of financial predictability in an increasingly unpredictable economy. It is the income source on which most APA elders can and do rely. Seventy percent of elder APAs receive Social Security income, one of the three major sources of potential income for retirees. The second source is income from retirement savings and pensions. Far fewer Asian Americans (26.8 percent) have retirement savings and pension income than whites (44 percent). Only about half (53 percent) live in families that have dividend, interest or rental income – the third potential source – compared to 59.2% of whites who had such income in 2008.<sup>12</sup> Moreover, neither of those sources guarantees the amount a person will receive. Social Security's guaranteed, life-long income provides psychological as well as financial benefit.

For immigrant workers who have fewer work credits and therefore receive less Social Security income, what they do receive enables them to work less hours in their late 60's and 70's. Family members can spend less of their own income supporting aging parents, enabling them to invest in their children's futures thereby creating intergenerational opportunities to move up the economic ladder.

The dollars paid into Social Security constitute the largest financial asset of poor APAs. The value of the survivor's benefit provided through Social Security would require a \$433,000 insurance policy in the private marketplace,<sup>13</sup> making this social insurance program an irreplaceable asset.

## Social Security Retirement Benefits

**Social Security's progressive benefit structure helps APAs, whose benefit levels are lower than the total population.**

In 2009, the average Social Security retirement income of APAs 65 and older was \$2,000 less annually than the total population: \$13,666, compared to the total population's average of \$15,443.<sup>14</sup> The lower benefit amount is due in large part to the high percentage of Asian immigrants. While immigrants may have worked in their country of origin, when they arrive in the U.S., the years prior to their arrival are treated as years of zero earnings by the Social Security Administration as they have not contributed to Social Security and benefits are based on work history and contributions. Therefore, the older immigrants are at the time of their arrival, the fewer number of years they will have contributed to Social Security and the lower their earnings will be when their Social Security benefit amount is calculated. Pacific Islanders receive less in benefits for a different reason. Native Hawaiians received only 44.8% of the average Social Security benefit of non-Native Hawaiians (including Asians), due to their high concentration in low-wage jobs.<sup>15</sup> In addition APAs are concentrated geographically in California, Hawaii, and New York, states with high costs of living,<sup>16</sup> so their dollars do not stretch as far as the total population. Because so many Asians and Pacific Islanders have lower lifetime earnings, Social Security's progressive structure – lower income workers receive a higher percentage of their wages in retirement than higher income workers – is of particular importance to the APA population.

### Mr. Park's Story

"Mr. Park came to the U.S. in 1998. This year he accumulated 40 work credits. Now 68, he can collect about \$300 per month. While not enough to live on, it will allow him to work less. Mr. Park contacted the National Asian Pacific Center on Aging to get information about his Social Security eligibility, having found the number through his local Korean newspaper, a trusted source of information. He was wary of contacting SSA directly because of his limited English proficiency."

*Courtesy Scott Allen Peck, NAPCA*

**Social Security income for the foreign-born makes a significant difference for Asian families.**

A smaller percentage of Asian American elders receive Social Security retirement income than other races. While 91% of white elderly households, 83.6% of African American elderly households, and 77.8% of Latino elderly households receive Social Security income, only 70.1% of elderly Asian households do.<sup>17</sup> This gap is mostly due to the high numbers of immigrants – 80% of Asian Americans are either naturalized citizens or immigrants – undocumented immigrants are categorically ineligible, and many legally present immigrants do not have enough documented years of work to qualify for eligibility. However, for those who do receive benefits, the difference for families with a foreign born elderly worker is significant (Table 1). The median annual Social Security family income for Asian immigrants 65 years and older in beneficiary families is \$12,629 compared to \$0 for elderly Asian immigrants in all families (both beneficiaries and non-beneficiaries), meaning that at least 50% of elderly Asian immigrants don't receive any family Social Security benefits. The median Social Security family income for elder Asian naturalized citizens receiving Social Security is \$15,557 compared to \$11,914 for elderly Asian naturalized citizens in all families, a 33% difference.<sup>18</sup>

<b>Table 1 - Median Family Income for 65+ Households by Race and Citizenship Status, 2008</b>			
Persons in all Families			
	All	White	Asian
Citizen	\$15,809	\$16,757	\$15,557
Naturalized citizen	\$13,157	\$16,157	\$11,914
Immigrant	\$ 5,957	\$10,757	\$0
Persons in Families with Social Security Income (Beneficiary Families)			
	All	White	Asian
Citizen	\$17,093	\$17,951	\$17,837
Naturalized citizen	\$15,617	\$18,041	\$15,557
Immigrant	\$12,389	\$15,166	\$12,629
Source: AARP, "Social Security: A Key Retirement Income Source for Minorities," AARP Public Policy Institute Fact Sheet 201, Selena Caldera, Sept. 2010.			

### **Social Security is a major contributor to elderly APA household income.**

The family structure of APAs is different from other groups. Asians of all ages are the most likely to be married and living with their spouses (60% vs. 49.1% of the total population); 84% of Asian men over 65 lived with their spouses. Since more Asians are legally married and because husbands tend to die first (only 47% of women over 65 are still living with spouses); a greater percentage of Asian women are eligible for Social Security survivor benefits, which helps Asian elderly women escape poverty.<sup>19</sup> In addition, Asians benefit from the cultural esteem in which elders are held. They are less likely than the general population to live in institutions or alone, and more likely to live in large households sharing income among extended family members (74.1% vs. 66.5% for the total population). Therefore, Social Security income is a smaller percentage of income in those households.<sup>20</sup> Even so, the median income of white elderly households is \$26,177 and only \$16,757 for Asians, highlighting the importance of Social Security income in their lives.<sup>21</sup> In 2008, among Asians and Pacific Islanders age 65 and older receiving Social Security income, 29% of married couples and 60% of unmarried persons relied on that income for more than 90% of their incomes.<sup>22</sup> In addition, as Asians become more "Americanized," it should not be assumed that the practice of sharing family income will continue. Instead, it is likely that income from Social Security will become more important in the lives of APA elders in the future.

Asians have higher life expectancies than any other population which makes Social Security's cost of living adjustments (COLA) an important tool to keep them out of poverty after retirement. The inflation-adjusted benefit in Social Security is especially important to Asian Americans. At age 65, API men can expect to live to 85 compared to 82 for all men. Asian women can expect to live to 88 compared to 85 for all women.<sup>23</sup> Women in particular rely on Social Security; it keeps 17.2% of elder Asian women out of poverty; however, their poverty rate of 12.9% still exceeds the rate for elderly white women, 9.5% of whom live under the poverty line.<sup>24</sup>

### **Cultural factors affect APAs in accessing benefits.**

Language barriers lead to a lack of knowledge about the Social Security program; 70% of Asians and 25% of Pacific Islanders do not speak English at home. In addition, cultural aversions to large bureaucracies, pride in being independent, and a fear of government based on home country experiences can make eligible foreign-born Asian seniors hesitant to apply.<sup>25</sup> Trusted community based organizations are important intermediaries between potentially eligible individuals and the Social Security system, and such services need to be increased.

### **Social Security Disability Insurance (SSDI)**

#### **Disability income accounts for more than half the income of disabled APA workers, widowers, and adult children beneficiaries.**

APAs as a group have fewer non-institutionalized people of all ages with disabilities than the total population, 6.4% compared to 12%.<sup>26</sup> Although relatively few receive Social Security disability income, there is some evidence that utilization of these benefits has been trending upwards since 1984.<sup>27</sup> For those APAs who are SSDI beneficiaries, more than 56% relied on it for more than 75% of their incomes in 2002, compared to 53% of whites and 51.9% of African Americans. Even with SSDI, 24% of disabled APAs live under the poverty line. Overall, disabled APAs rely more on SSDI, Supplemental Security Income (SSI, which is a government program not paid for out of payroll taxes like SSDI), and other public assistance programs than whites to keep them out of poverty.<sup>28</sup>

#### **Southeast Asians are particularly reliant on Social Security Disability Income.**

The situation of Southeast Asian refugees is unique. Disaggregation of the APA category is necessary to identify populations that have particular needs. While 4.6% of APAs between the ages of 18 and 64 are disabled, 10.3% of Cambodians, 8.5% of Hmong, 8.8% of Laotians and 6.2% of Vietnamese are disabled due to the traumatic effects of the Vietnam War.<sup>29</sup> Disability rates for those over 65, particularly among the Hmong who survived genocide in the “killing fields” of Cambodia, are extremely high: 72.6% of Hmong elderly women suffer physical and mental disabilities.<sup>30</sup> Because of their alliance with the Americans, their tribe was targeted for extinction by the Pol Pot regime in the 1970’s; their service and sacrifices do not make them eligible for Veterans benefits, but SSDI helps those who were able to earn wages in the U.S. maintain income when they can no longer work.

### **Conclusion**

Asian and Pacific Islander Americans depend on Social Security benefits as a critical income source, both as elders and as disabled people of all ages. Unlike other demographic groups, the Asian economic profile is bipolar, with more people at the upper and lower ends, and fewer in the middle. There are also wide economic variations among Asian ethnicities. Overall, a larger proportion of Asians, particularly elders, live in poverty than for the population as a whole, meaning that Social Security income is critical to their well-being. Southeast Asians have the highest disability rates of any population; for many, SSDI is a lifeline. Due to language and cultural barriers, many eligible elders are leaving their money on the table, and more outreach needs to be done to help them access benefits. Pacific Islanders, unlike Asians, do not have a high-end economic pole; they are overall a low-income population. This makes the higher wage replacement rate in the structure of Social Security particularly important to this group. More research that disaggregates the data is needed to better

understand how to improve the Social Security program to promote greater economic security for all American workers.

While Social Security alone is not sufficient when employment income ceases, immigrant and/or low-income APAs have neither familiarity with the American retirement system, nor cultural experiences that are comparable. Automatic payment into a social insurance program is a safety net for those who do not know how to choose between expensive, complex, and sometimes fraudulent insurance and investment products in the private marketplace. The existing Social Security system is the best way to guarantee some measure of financial security to disabled and elderly Asian and Pacific Islander American workers and their families.

### Acknowledgements

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### About Us

The Insight Center for Community Economic Development is a national research, consulting, and legal organization dedicated to building economic health and opportunity in vulnerable communities.

This factsheet was produced by the Insight Center's Closing the Racial Wealth Gap Initiative, a national effort to close the gap in wealth between people of color and whites. To learn more, visit [www.racialwealthgap.org](http://www.racialwealthgap.org) and [www.insightcced.org](http://www.insightcced.org).

## Notes

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- <sup>8</sup> Lui 212-213.
- <sup>9</sup> University of Michigan's Gerald R. Ford School of Public Policy National Poverty Center. Poverty in the United States Frequently Asked Questions. <http://www.npc.umich.edu/poverty/> (accessed November 8, 2010).
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- <sup>16</sup> Lui 210.
- <sup>17</sup> AARP Public Policy Institute, p.2.
- <sup>18</sup> AARP Public Policy Institute, p.9, Table 2.
- <sup>19</sup> U.S. Department of Health and Human Services, Administration on Aging, 2008. "A Statistical Profile of Asian Older Americans Aged 65+." [http://www.aoa.gov/aoaroot/aging\\_statistics/minority\\_aging/Facts-on-API-Elderly2008-plain\\_format.aspx](http://www.aoa.gov/aoaroot/aging_statistics/minority_aging/Facts-on-API-Elderly2008-plain_format.aspx) (accessed December 23, 2010).
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<sup>30</sup> Paul Igasaki and Max Niedzwiecki. 2004. "Aging Among Southeast Asian Americans in California: Assessing Strengths and Challenges, Strategizing for the Future." Washington, DC: Southeast Asia Resource Action Center (SEARAC).