

## WOMEN OF COLOR AND SOCIAL SECURITY

**Women of color have a profound stake in Social Security and any proposed changes.** The debate over the future of Social Security has not focused on or adequately taken into account the unique circumstances of women of color.<sup>1</sup> 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. Consequently, women of color would be disproportionately hurt by privatizing Social Security, which would involve deep cuts in guaranteed benefits and weaken the many other protections Social Security provides.

- **Women of color rely more heavily on Social Security for their retirement income than do white women.** Women of all races and ethnic backgrounds are heavily reliant on Social Security in retirement, but Social Security is particularly central to the retirement security of women of color. Research from the Social Security Administration shows that for over 80% of nonmarried elderly African American and Hispanic women, Social Security provides half or more of their income in retirement, and for nearly six in ten, it represents 90% or more of their retirement income. By comparison, Social Security provides more than half of retirement income for 76% of nonmarried elderly white women, and for 43% the program provides 90% or more of retirement income.<sup>2</sup> A similar disparity exists with married couples: nearly one in three (31%) African American married couples and nearly four in ten (39%) Hispanic married couples rely on Social Security for 90% or more of their income in retirement, compared to only one in five (20%) white married couples.<sup>3</sup> *Privatization would require deep cuts in the guaranteed Social Security benefits on which women of color disproportionately rely, even for those who choose not to participate in private accounts.*<sup>4</sup>
- **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.** People of color are about twice as likely as whites to be receiving Social Security based on the disability or death of a worker, not the retirement of a worker. Nearly half (46%) of all African American beneficiaries, and about half (51%) of all other people of color receiving Social Security, receive benefits based on the disability or death of a worker, compared to only about one-fourth (27%) of white beneficiaries.<sup>5</sup> 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,<sup>6</sup> and they and their children often survive deceased husbands. While African American women make up about 10% of all adult female Social Security beneficiaries,<sup>7</sup> African American women constitute 18% of female disabled worker beneficiaries.<sup>8</sup> Social Security's benefits for children are also especially important to the African American community. Whereas 7% of all Social Security beneficiaries are children, 18% of African American

beneficiaries are children.<sup>9</sup> In fact, African American children are almost four times more likely to be lifted out of poverty by Social Security than are white children.<sup>10</sup> *With private accounts, if a worker's career is cut short by early disability or death, private accounts will be too small to provide anything close to the years of monthly benefits payable by Social Security – assuming the family even has access to the funds in the account.*

- Women of color are long-lived, so Social Security's guaranteed, lifetime, inflation-protected benefits are especially important.** Social Security's provision of guaranteed, inflation-adjusted benefits that do not depend on the ups and downs of the market and cannot be outlived is particularly important to women of color because of their relatively long life expectancies. African American women have approximately 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 19 more years, two years longer than white men and four years longer than black men.<sup>11</sup> At age 65, Hispanic women can expect to live to age 88, three years longer than either white women or Hispanic men.<sup>12</sup> *Private accounts cannot match the value or security of Social Security.*<sup>13</sup>

Life Expectancy by Race, Ethnicity and Gender, 2003			
ALL RACES	at birth	at age 20	at age 65
women	80	81	85
men	75	76	82
WHITE			
women	81	81	85
men	75	76	82
BLACK			
women	76	77	84
men	69	71	80
HISPANIC			
women	83	NA	88
men	75	NA	85

NA = not available  
Sources: National Center for Health Statistics and U.S. Census Bureau<sup>14</sup>

- Women of color generally have lower lifetime earnings that are ameliorated by Social Security's progressive benefit formula.** 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.<sup>15</sup> 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 about 58% of pre-retirement earnings for low earners, compared to 43% for average earners and 36% for workers with the highest

earnings.<sup>16</sup> Social Security spousal benefits – available to spouses, divorced spouses, widows, and divorced widows – boost the benefits of many women and also help to counteract the effects of lower lifetime earnings. *With private accounts, those who have more to contribute and more luck as investors end up with more.*

Diverting revenue from Social Security to fund private accounts, as the plan outlined by the President would do, would require trillions in additional government borrowing and deep cuts in Social Security's guaranteed benefits – even for those who choose not to participate in private accounts. These cuts grow deeper each year such that, even including the proceeds of their private accounts, today's kindergarteners can expect to receive only 55%, or only about half, of the retirement benefits provided under the current system.<sup>17</sup>

Those who sign up for a private account would see their Social Security benefits cut a second time because they would be required to repay Social Security every dollar in payroll taxes that was “borrowed” from Social Security and diverted into their accounts – plus interest – in the form of further-reduced Social Security benefits. According to the nonpartisan Congressional Research Service, the combination of both benefit cuts over time will eventually wipe out and replace guaranteed Social Security benefits, beginning with those who are born next year.<sup>18</sup>

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, and because women of color disproportionately rely on the disability and survivor benefits Social Security provides, women of color and their families would face a significantly increased risk of poverty at all stages of life if Social Security were privatized.

## ENDNOTES

<sup>1</sup> The data available on the retirement income of 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.

<sup>2</sup> Social Security Administration, *Income of the Population 55 or Older, 2002*, at 123, Table 6.B4 (2005), *available at* [http://www.ssa.gov/policy/docs/statcomps/income\\_pop55/2002/incpop02.pdf](http://www.ssa.gov/policy/docs/statcomps/income_pop55/2002/incpop02.pdf) (last visited Apr. 20, 2005). The term “nonmarried” refers to any person who is not presently married, including those who are divorced, widowed, or have never been married.

<sup>3</sup> *Id.*

<sup>4</sup> *See* Robert Greenstein, Center on Budget and Policy Priorities, So-Called “Price Indexing” Proposal Would Result in Deep Reductions over Time in Social Security Benefits (Jan. 28, 2005), *available at* <http://www.cbpp.org/12-17-04socsec.pdf> (last visited Apr. 20, 2005). In addition to cuts in guaranteed benefits, the President's proposal would require accountholders to repay every dollar they put into the account – with interest – through a second round of cuts in their Social Security benefits. *See* Jason Furman, Center on Budget and Policy Priorities, How the Individual Accounts in the President's New Plan Would Work: Plan Would Allow Individuals to Mortgage Half of Their Social Security Benefit (Feb. 4, 2005), *available at* <http://www.cbpp.org/2-3-05socsec2.pdf> (last visited Apr. 20, 2005).

<sup>5</sup> NWLC calculations based on Social Security Administration, *Annual Statistical Supplement, 2003*, at 5.21, Table 5.A6 (2004).

- <sup>6</sup> See U.S. Census Bureau, Housing and Household Economic Statistics Division, 2003 American Community Survey Summary Tables, Tables PCT039A and PCT039B (December 2004), *available at* <http://www.census.gov/hhes/www/disability/2003acs.html> (last visited Apr. 20, 2005); Lita Jans & 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](http://www.infouse.com/disabilitydata/womendisability_datatables.html) (last visited Apr. 20, 2005).
- <sup>7</sup> NWLC calculations based on Social Security Administration, Annual Statistical Supplement, 2003, at 5.22, Table 5.A7(2004).
- <sup>8</sup> *Id.* (NWLC calculations).
- <sup>9</sup> *Id.* at 5.21, Table 5.A6 (NWLC calculations).
- <sup>10</sup> Maya Rockey Moore, Congressional Black Caucus Foundation, Inc., Center for Policy Analysis and Research, The Social Security Privatization Crisis: Assessing the Impact on African American Families 5 (2005), *available at* <http://www.cbcfinc.org/pdf/SSPrivatization.pdf> (last visited Apr. 20, 2005).
- <sup>11</sup> National Center for Health Statistics, Deaths: Preliminary Data for 2003, National Vital Statistics Report, Vol. 53, No. 152, at 25, Table 6 (Feb. 28, 2005), *available at* [http://www.cdc.gov/nchs/data/nvsr/nvsr53/nvsr53\\_15.pdf](http://www.cdc.gov/nchs/data/nvsr/nvsr53/nvsr53_15.pdf) (last visited Apr. 20, 2005).
- <sup>12</sup> 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, at B-3, Appendix B, Table B-2 (Middle Assumption), (February 1996), *available at* <http://www.census.gov/prod/1/pop/p25-1130/p251130.pdf> (last visited Apr. 20, 2005). The data for Hispanics is not exactly comparable to the data produced by the National Center for Health Statistics (NCHS) cited in note 11, *supra*. As the official source of the country's vital statistics, the NCHS statistics are regarded as the most reliable, however it does not provide life expectancy data on Hispanics. Therefore, the Census Bureau figures, created for the purpose of projecting population growth, were used for Hispanics. *See also* Social Security Administration, Hispanic Americans and Social Security: Social Security Is Important to Hispanics (Sept. 2004), *available at* <http://www.socialsecurity.gov/pressoffice/factsheets/hispanics.htm> (last visited Apr. 20, 2005).
- <sup>13</sup> See National Women's Law Center, Why Social Security Is a Better Deal than Privatization for Women and Their Families (2005), *available at* <http://www.nwlc.org/pdf/SocialSecurityBetterDeal1-05.pdf> (last visited Apr. 20, 2005).
- <sup>14</sup> See notes 11 and 12, *supra*.
- <sup>15</sup> Kilolo Kijakazi, *Low-Wage Earners: Options for Improving Their Retirement Income*, in National Academy of Social Insurance, *The Future of Social Insurance* 45 (2002). In 2003, the median annual earnings of African American women 15 and older working full-time, year-round were \$26,989, and the median earnings for Hispanic women were \$22,363 compared to \$31,169 for white women and \$41,161 for white men. U.S. Census Bureau, Current Population Survey, 2004 Annual Social and Economic Supplement, Table PINC-05. Work Experience in 2003—People 15 Years Old and Over by Total Money Earnings in 2003, Age, Race, Hispanic Origin, and Sex (individual tables *available at* [http://ferret.bls.census.gov/macro/032004/perinc/new05\\_000.htm](http://ferret.bls.census.gov/macro/032004/perinc/new05_000.htm) (last visited Apr. 20, 2005)).
- <sup>16</sup> Social Security Administration, The 2005 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds 186, Table VLF.10 (2005), *available at* <http://ssa.gov/OACT/TR/TR05/tr05.pdf> (last visited Apr. 20, 2005).
- <sup>17</sup> Congressional Budget Office, Long-Term Analysis of Plan 2 of the President's Commission to Strengthen Social Security, Supplemental Data, Supplemental Tables and Figures, Table 2 (July 21, 2004), *available at* <http://cbo.gov/showdoc.cfm?index=5666&sequence=0> (last visited Apr. 20, 2005). Because the formulas for computing disability benefits and survivor benefits are tied to the retirement formula, these benefits likewise would be cut.
- <sup>18</sup> Memorandum from Laura Haltzel, Specialist in Social Security, Congressional Research Service, to Honorable Charles Rangel, House Committee on Ways and Means, Regarding Estimated Social Security Benefit Levels Under President Bush's 2005 Individual Accounts Proposal Combined with a Proposal to Price-Index Social Security Benefits (Mar. 31, 2005), *available at* [http://www.ourfuture.org/docUploads/Estimated\\_Benefits\\_Under\\_Bush\\_Proposal\\_05.pdf](http://www.ourfuture.org/docUploads/Estimated_Benefits_Under_Bush_Proposal_05.pdf) (last visited Apr. 20, 2005).