

STRENGTHEN SOCIAL SECURITY

...don't cut it.

Social Security Works for African Americans

Our Social Security system is neutral with regard to race and ethnicity, but because African Americans tend to have lower earnings over the course of their working years and little access to employer sponsored retirement plans, Social Security is particularly important to them. Even as our economy has improved, income inequality has been a critical issue in the African American community. For many African Americans, the realities of a lifetime of low wages amounts to little or no savings for retirement. Therefore, African Americans disproportionately depend on Social Security to earn vital but modest retirement, disability, and survivors' protections for themselves and their families. Social Security should not only be protected for African Americans; it should be expanded.

Why Social Security is Important to African Americans

In 2012, 3.5 million African American households received Social Security benefits,¹ including 3.9 million African American seniors.² The median benefit received by African Americans ages 65 and older in 2012 was \$13,757³—just \$2,587 over the federal poverty limit for an individual.⁴ Despite their modesty, these benefits are critical to the economic security of the African Americans who receive them. In 2012, Social Security benefits made up half or more of the incomes for 72 percent of African Americans ages 65 and older.⁵ And, in 2012, Social Security benefits lifted 1.2 million African Americans aged 65 and older out of poverty. Without these benefits, the poverty rate among African American seniors in 2012 would have risen from 18 percent to over half (51 percent).⁶ In addition to its critical anti-poverty protections, Social Security has other features:

- Social Security's benefits replace a higher percentage of the incomes of lower earners. Although African Americans have seen a rise in median income, there has been a persistent racial income gap. In 2013, the median income of African Americans was just over half the median income of white Americans (\$33,321 compared to \$57,009).⁷ Because of their lower earnings, Social Security's progressive benefit formula is especially important for African Americans.
- In addition to their lower lifetime wages, African Americans are less likely to own a home, which is a critical element of retirement security for households. In 2015, only 41.9 percent of African Americans owned a home, in comparison to 72.2 percent of Whites.⁸ Consequently many older African Americans lean on their younger family members for support in retirement which can prevent younger generations from accumulating savings of their own.⁹ Social Security's benefits are vital for older African Americans who want to remain independent in retirement.
- African Americans are also impacted by the costs of caregiving—20.3 percent of African Americans are caregivers.¹⁰ Caregiving can have adverse effects on African American's lifetime earnings—approximately 6 in 10 caregivers report at least one change in their employment

situation (such as reduced hours or taking a leave of absence) due to caregiving.¹¹ Social Security's progressive benefits are vital to African Americans who provide unpaid care.

- Over the course of their working years, African American's lower earnings leave them less able to set aside savings for retirement. As a result, Social Security's benefits, although modest, are the most critical, if not the only, source of income for African Americans in retirement. In 2012, Social Security benefits represented 90 percent or more of the incomes of nearly half (46.4 percent) of African Americans aged 65 and older.¹²
- Social Security disability and benefits are critical for African Americans, who are more likely to become disabled before reaching age 65 and whose children disproportionately depend on Social Security. In 2009, African Americans represented 13 percent of the total population, yet they were 17 percent of Social Security Disability Insurance beneficiaries.¹³ African American children in the same year accounted for 15 percent of all U.S. children ages 19 and under, while they were 19 percent of Social Security beneficiaries ages 19 and under.¹⁴
- Social Security benefits are adjusted for inflation, so that they maintain purchasing power over time. This is especially critical for African Americans, who rely on their Social Security benefits for most, if not all, of their income in retirement. Even if they outlive their savings and other sources of retirement income, African Americans cannot outlive their Social Security benefits.

To Improve Social Security for African Americans, Expand Benefits

Although Social Security benefits are vital to the African Americans who receive them, they are still too modest, and should be expanded. Fortunately, there are a number of policy options that would improve Social Security benefits for all Americans, including African Americans:

- *Increase benefits across the board.* Although Social Security benefits have substantially reduced poverty among elderly African Americans, these benefits are still too modest. There are a variety of proposals that would increase monthly benefits for all Americans progressively.¹⁵ Low-income beneficiaries, especially African Americans, would benefit most from such expansions.
- *Increase Social Security's special minimum benefit.* The so-called special minimum benefit was designed to prevent workers with many years of low earnings from retiring into poverty. However, the value of the special minimum benefit The Social Security Administration estimates that raising the minimum benefit to 125 percent of the monthly poverty level would increase the benefits of approximately 16 percent of African American beneficiaries ages 60 and older in 2030.¹⁶
- *Ensure that benefits keep pace with the cost of living experienced by Social Security beneficiaries.* Because African Americans depend on Social Security for a majority of their income and are more likely to become disabled, they especially rely upon Social Security's cost-of-living adjustments. However, the current index used to calculate these adjustments does not accurately reflect the higher health care costs experienced by seniors and people with disabilities.¹⁷ A more accurate cost-of-living index would ensure that African American's Social Security benefits do not erode over time.
- *Provide a caregiver credit.* Because African Americans make up a sizeable percentage of the nation's caregivers, their Social Security benefits are impacted by time spent out of the workforce to provide care to children and other family members. A caregiver credit would ensure that, even when African Americans and other workers forgo wages to provide unpaid

care, their Social Security benefits will not be drastically reduced.¹⁸ *Restore College/Vocational Student Benefits*. African American children are disproportionately beneficiaries of Social Security survivor benefits and, when trying to pursue better opportunities, they should receive the financial support they need in their parent's absence. Restoring these benefits would ensure that, even in the absence of a parent, African American children are still able to pursue higher education.¹⁹

- *Expand Social Security to include paid family leave*. Social Security was created to empower workers to insure themselves and their families against predictable, long-term periods of lost wages—retirement, disability, or the death of a working parent. However, many workers also experience temporary periods out of the workforce due to family caregiving duties and personal medical conditions. The expansion of Social Security to include family leave benefits would ensure that workers, do not face economic insecurity during these temporary periods without wages.²⁰
- *Eliminate the cap on payroll contributions and incorporate investment income*. Only 2.4 percent of working African Americans have annual incomes over Social Security's cap of \$118,500,²¹ meaning that a majority of African Americans make Social Security contributions on all of their earnings, all year long, compared to millionaires and billionaires, who contribute on only part of their earnings and stop contributing earlier in the year. Eliminating the payroll cap and incorporating unearned income would not only close Social Security's long-range shortfall and help to finance benefit expansions;²² it would make contributions to the system more equitable for African Americans.

¹ The term "households" as it is used here refers to households reporting income in the past 12 months. Households receiving Social Security benefits are those households listed as receiving "Social Security income." U.S. Census Bureau, *2010-2012 American Community Survey 3-Year Estimates*, "Selected Population Profile in the United States," 2012. <http://factfinder2.census.gov/>

² Unless otherwise specified, "seniors" refers to individuals ages 65 and older. SSA, *Income of the Population 55 or Older, 2012*, Table 1.1, April 2014 https://www.ssa.gov/policy/docs/statcomps/income_pop55/2012/incpop12.pdf

³ SSA, *Income of the Population 55 or Older, 2012*, Table 5.A3, April 2014

https://www.ssa.gov/policy/docs/statcomps/income_pop55/2012/incpop12.pdf

⁴ 2012 Poverty Guidelines, US Department of Health and Human Services, December 2012. <https://aspe.hhs.gov/2012-hhs-poverty-guidelines>

⁵ SSA *Income of the Population 55 or Older, 2012*, Table 9.A3, April 2014

https://www.ssa.gov/policy/docs/statcomps/income_pop55/2012/sect09.html#table9.a3

⁶ Social Security Works, "Social Security, Medicare and Medicaid Work for the United States of America," August 2015.

<http://www.socialsecurityworks.org/wp-content/uploads/2015/08/US20151.pdf>

⁷ Andy Fountain, "The Racial Wealth Gap: African Americans," Center for Global Policy Solutions, Figure 2, April 2014.

http://globalpolicysolutions.org/wp-content/uploads/2014/04/RacialWealthGap_AfricanAmericans_Final.pdf

⁸ Robert R. Callis and Melissa Kresin, "Residential Vacancies and Homeownership in the Fourth Quarter 2015," US Census Bureau, January 28, 2016. <http://www.census.gov/housing/hvs/files/currenthvspress.pdf>

⁹ Elvis Guzman and Madhulika Vulimiri, "African American Retirement Insecurity," Center for Global Policy Solutions, August 2015. <http://globalpolicysolutions.org/wp-content/uploads/2015/08/African-American-Retirement-Insecurity.pdf>

¹⁰ AARP Public Policy Institute and National Alliance for Caregiving, "Caregiving in the U.S.," June 2015.

<http://www.aarp.org/content/dam/aarp/ppi/2015/caregiving-in-the-united-states-2015-report-revised.pdf>

¹¹ AARP Public Policy Institute and National Alliance for Caregiving, "Caregiving in the U.S.," June 2015.

<http://www.aarp.org/content/dam/aarp/ppi/2015/caregiving-in-the-united-states-2015-report-revised.pdf>

¹² SSA *Income of the Population 55 or Older, 2012*, Table 9.A3, April 2014

https://www.ssa.gov/policy/docs/statcomps/income_pop55/2012/sect09.html#table9.a3

¹³ Maya Rockeymoore, Wilhelmina Leigh, Anna Wheatley, "Check out The Facts about African Americans and Social Security." NAACP, 2010. http://action.naacp.org/page/-/Youth%20and%20College/NAACP%20Social%20Security%20and%20African%20Americans%206%20April%202010_1.pdf

¹⁴Maya Rockey Moore, Wilhelmina Leigh, Anna Wheatley, “Check out The Facts about African Americans and Social Security.” NAACP, 2010. http://action.naacp.org/page/-/Youth%20and%20College/NAACP%20Social%20Security%20and%20African%20Americans%206%20April%202010_1.pdf

¹⁵ For example, Senator Brian Schatz (D-HI) has proposed increasing the first bend point of the Social Security benefit formula by 15 percent—approximately a \$70 increase in monthly benefits for all beneficiaries. Senator Brian Schatz, “S.1940 – Safeguarding American Families and Expanding Social Security Act of 2015,” accessed February 18, 2016.

<https://www.congress.gov/bill/114th-congress/senate-bill/1940?q=%7B%22search%22%3A%5B%22schatz%22%5D%7D>

¹⁶ SSA, “Worker Benefit Changes,” Table 1, accessed March 18, 2016.

<https://www.ssa.gov/retirementpolicy/projections/worker-benefit/minimum-benefit-2030.html>

¹⁷ Alicia H. Munnell and Anqi Chen, “Do We Need a Price Index for the Elderly,” Center for Retirement Research at Boston College no. 15-18, October 2015. http://crr.bc.edu/wp-content/uploads/2015/10/IB_15-18.pdf

¹⁸ For example, Representative Nita Lowey (D-NY) has proposed a caregiver credit that could be claimed by anyone spending at least 80 hours per month (up to 60 months) providing care to a dependent relative under the age of 12 or a chronically dependent individual. Representative Nita Lowey, “H.R. 3377 – Social Security Caregiver Credit Act of 2015,” accessed February 18, 2016.

<https://www.congress.gov/bill/114th-congress/house-bill/3377?q=%7B%22search%22%3A%5B%22%5C%22hr3377%5C%22%22%5D%7D&resultIndex=1>

¹⁹ <http://www.ncpssm.org/SocialSecurity/AfricanAmericansandSS>

²⁰ One proposal for paid family leave comes from the Social Security Works *All Generations Plan*, which would provide those who are insured for Social Security disability benefits up to 12 weeks of paid leave in the event of the birth or adoption of a child, a family member’s illness, or a personal illness. Nancy J. Altman and Eric R. Kingson, *Social Security Works! Why Social Security Isn’t Going Broke and How Expanding It Will Help Us All*, (New York: The New Press, 2015), pp. 221-222.

²¹ Nicole Woo and Cherrie Bucknor, “Over the Top: Who Pays More if We Raise the Social Security Payroll Tax Cap,” Center for Economic and Policy Research, February 2016. <http://cepr.net/images/stories/over-the-top-supplementary-tables.pdf>

²² Social Security Works, “High Earners Should Contribute Fair Share to Social Security: Policy Options,” April 2015.

http://www.socialsecurityworks.org/wp-content/uploads/2015/04/High-Earners-Should-Contribute-Fair-Share-to-Social-Security_Policy-Options_FINAL.pdf