SOCIAL INSURANCE AND COMMUNITIES OF COLOR

Introduction

Every worker should have insurance benefits that protect them and their families against the loss of assets and income that accompany life-changing events like disability, unemployment, and early death. Social insurance programs—such as Social Security, Unemployment Insurance, Workers’ Compensation, and Medicare—provide important communal insurance benefits that “use the common wealth for the common good.”

As a comprehensive set of income-security policies not subject to means testing, social insurance programs are vital for promoting asset accumulation for all Americans, but particularly in communities of color. This is due in part, because they strengthen opportunities for wealth accumulation by helping to prevent the loss of personal and family assets when life events with potentially devastating financial consequences occur.

While people of color benefit from all social insurance programs, there are significant gaps in coverage that underscore the need to strengthen these programs in ways that reflect their unique experiences. For example, workers of color are disproportionately concentrated in part-time jobs yet Unemployment Insurance does not generally cover part-time workers. These gaps are the unfortunate consequence of government policies that are crafted in ways that reinforce racial and economic inequalities.

As important income security vehicles, social insurance programs are a significant part of the solution. However, critical gaps in programs must be closed by expanding coverage to fully support economic security for workers of color and their families.

Social Security

Providing protection against the loss of income that comes with old age, disability, and early death, the Old Age, Survivors, and Disability Insurance program (aka Social Security) represents a type of communal wealth that allows workers and their families to tap into benefits based on the worker’s prior payroll contributions. Social Security is particularly important for vulnerable populations within communities of color—including low-wage workers, women, children, older adults, and the disabled.

- More than 75 percent of older Latinos and almost 80 percent of African Americans rely on Social Security for more than half of their total income.

- Without Social Security, the poverty rate would more than double for disabled workers of color.

- Without Social Security, the poverty rate among women 65 and older would be 61 percent for African American women, 55 percent for Hispanic women, and 51 percent for white women.
• Without Social Security, the poverty rate of eligible elderly Hispanics would more than triple, from 16 percent to 55 percent.⁵

• Because of higher mortality rates among some racial and ethnic groups, children of color are more likely than white children to receive and depend on Security survivor benefits.⁶

Unemployment Insurance

Unemployment Insurance was designed to protect workers and their families against involuntary unemployment resulting from fluctuations in the labor market. Unfortunately, it is structured in a way that advantages higher-income, full-time white collar workers over low-income, part-time, temporary, and self-employed workers—categories in which workers of color are disproportionately represented.

• In January 2009, the unemployment rate for whites was 6.9 percent, compared to 12.6 percent for African Americans and 9.7 percent for Latinos. The seasonally unadjusted rate for Asians was 6.2 percent.⁷

• A 2003 study found that more white men and women received unemployment insurance compared to African American and Latino men and women.⁸

• Despite chronically high unemployment rates, a 2003 study found that black men are the least likely group to receive unemployment insurance benefits.⁹

Workers Compensation

Workers’ Compensation is employer-sponsored insurance that provides medical care, disability payments, and vocational rehabilitation to employees who have experienced work-related illnesses or injuries. Despite government regulation, Workers’ Compensation awards for racial and ethnic minorities are not in line with the rate of work-related illnesses and injuries experienced by these populations.

• More African Americans and Hispanics are injured or killed at work than white workers.¹⁰

• Compared with non-Hispanic workers, Hispanic workers were 53 percent more likely to have medical conditions resulting from work-related injuries, but 48 percent less likely to receive payment for medical costs from workers’ compensation.¹¹

• Race differences in diagnosis and surgery may help explain why African Americans receive lower workers’ compensation medical expenditures, disability ratings, and settlement awards when compared to whites.¹²

• Many immigrant and guest workers work long hours in unsafe conditions for their American employers but do not have access to Workers Compensation.¹³

• A 2003 study of Cambodian and Lao workers in Lowell, MA found that their cases of work-related illnesses and injuries were significantly underrepresented in Workers Compensation wage replacement data.¹⁴
Health Insurance

Financed primarily through worker payroll contributions, Medicare provides important health insurance benefits to adults over the age of 65. Unfortunately, many Medicare recipients of color are in poorer health than their white counterparts in part as a result of inadequate access to quality healthcare prior to Medicare enrollment. Health insurance coverage rates illustrate the magnitude of the problem. In 2007, the rate of uninsured was 32.1 percent for Latinos, 19.5 percent for African Americans, 16.8 percent for Asian Americans, and 43.8 percent for foreign-born non-citizens compared to 10.4 percent for non-Hispanic whites. Taken as a whole, people of color comprise a majority of the nation’s uninsured population. Because uncovered medical expenses are a leading cause of bankruptcy filings in the nation and unhealthy people are less able to maximize their socioeconomic potential, providing universal access to quality health coverage is essential for closing the racial and ethnic wealth gap.

Recommendations

Social Security

1. **Minimum Benefit within Social Security.** While extremely low-income workers may be eligible to receive Supplemental Security Insurance (SSI) in addition to their Social Security payments upon retirement, the means-tested nature of SSI requires beneficiaries to have little to no accumulated wealth in order to qualify. To avoid this wealth accumulation penalty, we must create a minimum benefit above the poverty level within Social Security to help provide a base of security for lower-income beneficiaries that also allows them to maintain and accumulate assets.

2. **Data.** The Social Security Administration (SSA) should collect disaggregated racial, ethnic, and socioeconomic data on the SS5 Form at the time of enrollment. The Centers for Medicare and Medicaid Services should then use this data to inform their respective programs.

3. **Benefits for College Students.** Restore Social Security benefits for child survivors who are college students so that they receive benefits until the age of 21 or completion of a baccalaureate degree, whichever comes first.

4. **Improve access to disability benefits.** Increase funding for Social Security staff to help address disability claims backlog, which in turn will help minorities obtain access to much needed disability benefits in a timelier manner. Also, reduce the likelihood of discriminatory treatment in the disability appeals process by engaging outside arbitrators in the Social Security disability appeals process.

5. **Finances and Funding.** Changes to Social Security should be financed using a progressive approach to payroll tax increases and benefit reductions. This would entail sliding scale benefit changes that would require higher-wage earners to shoulder a progressively larger percentage of tax increases and benefit reductions compared to lower-wage earners.

6. **Alter Current Social Security Process and Increase Access.** Also, provide access to interpreters, judges and workers who are language and culturally appropriate (interpreters who understand) to handle Social Security cases.

7. **Give Family Care Credits.** Provide Social Security credits for workers who take time out of the formal workforce, either completely or in part, to work as family care-givers. These caregivers should be able to claim credits if their income is below a certain amount.
Unemployment Insurance

1. **Better Benefits.** Offer more generous Unemployment Insurance benefits to keep workers and their families out of poverty.

2. **Restructure Earnings Requirements.** Base eligibility requirements on the number of hours worked, not earnings, to ensure that part-time and low-income workers are not excluded by overall earnings requirements.

3. **Standardize Eligibility Across States.** There are significant differences in how workers are treated across states because Unemployment Insurance and Workers’ Compensation benefits are largely determined by state policies and state budgets. The federal government should take a larger role in financing and standardizing benefits across states to ensure the equity and adequacy of these benefits.

4. **Extend Time Limits for Unemployment Insurance Benefits.** UI benefits for unemployed workers should not be allowed to expire prematurely during economic recessions. To prevent premature expiration of UI benefits, states should automatically extend them benefits if payroll employment numbers have not risen above two percent from when the worker first lost his/her job. Congress can also opt to extend UI benefits across states during times of economic recession by making worker’s automatically eligible for the Federal Extended Benefit program.

5. **Extend Unemployment Eligibility Categories.** Extend coverage to workers who lose their jobs due to domestic circumstances beyond their control, such as caring for a child, spouse or parent, partner relocation, domestic abuse, pregnancy and inadequate childcare.

Workers Compensation

1. **Quality Improvements.** Currently, there is a lack of uniform reporting for state Workers’ Compensation programs, and each state has its own program in terms of benefits, financing, administration, and coverage (NASI 2006). Thus, reporting for states should be improved so that there is accurate and comprehensive data to evaluate inequality between state programs and how they affect people of color.

2. **Workers’ Comp for agricultural workers.** Currently, employees in agricultural industries are not covered by Workers’ Compensation if state law exempts them from mandatory Workers’ Compensation, as is the case in sixteen states (NASI 2002). Given the large and growing minority population of agricultural workers, Workers’ Compensation should be extended for all agricultural workers in all states.

3. **Eligibility requirements.** Workers’ Compensation in many states is tightening their eligibility rules about work related impairments aggravated by aging (Reno and Eichner 2000). Prevent new eligibility criteria that discriminates against workers based on age, preexisting condition, or chronic impairments, which many low wage workers are more prone to.
The Insight Center for Community Economic Development is a national research, consulting and legal organization dedicated to building economic health in disenfranchised communities.

This factsheet was produced as part of our Closing the Racial Wealth Gap Initiative, a national effort to close the racial wealth gap for the next generation by injecting over 140 members of the Experts of Color Network into the national debate on America’s future. Experts on this issue include Kilolo Kijakazi, Ph.D., William Spriggs, Ph.D., Maya Rockeymoore, Ph.D., Lina Choudry, Doua Thor, Lilliana Sparks, and David Pate, all members of the Experts of Color Network.

For more information please visit www.racialwealthgap.org and www.expertsofcolor.org.

9 Ibid.
17 Ibid.