Social Security at 75: 
Building Economic Security, Narrowing the Racial Wealth Divide 

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Introduction

On the 75th anniversary since the passage of the Social Security Act, it is worthwhile to reflect on the past performance, current reality and future prospects for the Act’s signature program—what we now know as the Old Age, Survivors and Disability Insurance (OASDI) program or “Social Security”—particularly as it relates to workers of color, the fastest growing segment of the U.S. population.

With members of racial and ethnic minority groups now poised to become a majority of the U.S. population in a few short decades, it is important to understand how these groups use and relate to Social Security and what program elements need to be changed or strengthened to improve the program’s adequacy for them and for all Americans.

Since 1935, the circumstances of Asians, African Americans, Latinos, Native Americans and other racial and ethnic groups has changed dramatically from a legal and social standpoint. At that time in U.S. history, de jure segregation was the norm and open discrimination against workers of color was not only tolerated, it was expected in a nation where many people of western European ancestry used their cultural, social, and political power to exploit the labor of workers of color for their own economic gain.

Given these circumstances, it should not be a surprise that the original Social Security program was designed to exclude agricultural and domestic workers—the two employment categories in which workers of color were disproportionately represented; the majority of African Americans, for example, worked in these two occupations. Today, Latinos are disproportionately represented in these job categories. But despite the fact that workers in these occupations are now eligible for Social Security, their coverage remains spotty due to inconsistent wage reporting by employers and widespread use of undocumented immigrant laborers who remain ineligible for Social Security benefits.1

As racial discrimination has been challenged over the years, and as support has grown among the public and within both political parties, Social Security expanded its coverage and its benefits. Occupation exclusions were overturned from the 1950s on, and as a result, workers from diverse racial and ethnic groups now benefit from and have come to appreciate the value of the program.

A recent national poll commissioned by the National Academy of Social Insurance underscores the program’s popularity. Ninety two percent of African Americans, 90 percent of Latinos, and 86 percent of whites agreed that Social Security’s societal benefits are worth the cost.2 The continued popularity of Social Security among people in all racial and ethnic groups is a testament to its effectiveness in providing economic support to workers and families facing lost income due to death, disability, or retirement of a primary wage earner.

Social Security is often touted for its role in alleviating poverty among vulnerable populations of all races yet is also serves to prevent middle class people from falling behind. It is an especially important asset for workers and families of color who are more vulnerable to economic instability and who are the least likely to have wealth as a direct result of past racial discrimination in American life and policies.
The nation’s growing fiscal challenges have placed pressure on policymakers to consider reductions to Social Security even as the economic crisis has underscored the need to strengthen the adequacy of its benefits for vulnerable workers. In the face of these powerful crosscurrents in the national policy conversation, there is a need to uplift the value of Social Security – not only as an anti-poverty program, but also as an asset building and maintenance strategy and as the nation’s largest economic stimulus program. Finally, its current role and future potential to narrow racial economic inequality should not be overlooked.

**Social Security, Wealth, and People of Color**

The fact that Social Security income can keep members of vulnerable populations out of poverty is well known. Yet Social Security is more than an anti-poverty program, it also serves to preserve and build wealth. The program helps to preserve wealth by making benefits available to all eligible workers without a means testing requirement. Essentially, workers are not required to spend down or eliminate assets as a condition for receiving benefits. This function is just as important for wealth preservation among middle class families as it is for families with little wealth, regardless of the racial or ethnic background of a beneficiary.

Social Security also helps to preserve the wealth of younger workers by alleviating their financial responsibility to care for aging, disabled or orphaned relatives. As an independent source of income for individuals who would otherwise be financially dependent on their children or relatives, Social Security plays a significant role in boosting the living standards of younger working families. This point is underscored by a recent National Academy of Social Insurance poll in which 76 percent of Americans said that they didn’t mind paying Social Security taxes because they would otherwise have to support their family members in their retirement.⁵

Social Security’s vital insurance function also helps to close the racial wealth gap. Because many people do not have enough savings to cover their cost of living in the event of a disability, retirement, or the death of a primary wage earner, Social Security provides protection against the risks in life that could be financially ruinous. In the words of Dr. William Spriggs, Assistant Secretary for Policy at the U.S. Department of Labor, “Given the high costs involved [with catastrophic events like disability], we should not imagine that the solution for people in poverty is personal savings. We should encourage the existence of social insurance as part of the answer.”⁶

Finally, Social Security is itself a wealth accumulation mechanism because it represents a “pay it forward” form of savings that allows workers and/or their dependents to tap into important income replacement benefits at critical moments over the course of their lives. Essentially, the Social Security payroll tax collected from the paychecks of workers represents a mandated savings program in which taxes are pooled in the OASDI trust funds and used to finance benefits for current and future survivors, disabled workers, and retirees. Although U.S. courts have determined that workers cannot claim ownership of Social Security benefits, they remain the greatest asset available to many low-wealth workers.

Social Security’s reliable benefits would be unaffordable for many if offered in the private market. For example, the value of the life insurance provided to survivors through Social Security is over $433,000, and the value of disability protection for a young disabled worker with a spouse and two children is more than $414,000.⁷ Additionally, the program’s progressive benefits replace a larger percentage of a lower earning worker’s pre-retirement income and its steady, inflation-adjusted benefits are important for protecting the purchasing power of workers and their families over time.⁸ This structure allows Social Security income to address some of the persistent effects of job discrimination and segregation, like racial income inequality.

**Retirement Security**

Social Security’s role as an asset for vulnerable populations is most visibly demonstrated through its retirement function. After a lifetime of work, our nation’s elders—regardless of their race, gender, and previous level of lifetime earnings—should live dignified lives that are economically secure. Social Security is a program that older adults rely on to live comfortable, healthy lives and its benefits should be robust.

- Social Security accounts for the bulk of retirement income for 70 percent of Americans, but its importance as a retirement savings vehicle is even larger for people of color who are the least likely to have significant sources of wealth outside of Social Security upon retirement.⁹
• In addition to racial disparities in income, this retirement wealth gap reflects disparities in eligibility for or enrollment in private pension plans, investments, savings, and homeownership. For example, people of color are overrepresented in jobs that do not offer pensions.

• Federal Reserve data shows that for every dollar owned by the average white family, the average Hispanic family owns 12 cents and the average African-American family owns only ten cents.

• A majority of both African-American women (69%) and African-American men (64%) indicate that they do not own any stocks or mutual fund shares, while even greater proportions (75% of women and 71% of men) indicate that they have not invested in an IRA or a Keogh plan.

• A 2005 study by the Center on Budget and Policy Priorities found that only 29 percent of Hispanic workers aged 21-64 participated in an employer-sponsored retirement plan in 2003, compared to 53 percent of white workers and 45 percent of African-American workers in the same age category.

• Among African Americans receiving Social Security in 2007, 30 percent of elderly married couples and 57 percent of unmarried elderly persons relied on Social Security for 90 percent or more of their income.

• Similarly, among Hispanics receiving Social Security in 2007, 39 percent of elderly married couples and 63 percent of elderly unmarried persons relied on Social Security for 90 percent or more of their income.

• Without Social Security, the poverty rate for seniors from every major racial and ethnic background would more than double.

**Figure 1- Poverty Rates for Groups by Social Security Benefit Receipt, Race and Ethnicity, 1997**

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>In Poverty with Social Security</th>
<th>In Poverty without Social Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>8%</td>
<td>48%</td>
</tr>
<tr>
<td>Black</td>
<td>24%</td>
<td>61%</td>
</tr>
<tr>
<td>Native American</td>
<td>12%</td>
<td>59%</td>
</tr>
<tr>
<td>Asian</td>
<td>8%</td>
<td>34%</td>
</tr>
<tr>
<td>Hispanic Origin</td>
<td>20%</td>
<td>56%</td>
</tr>
</tbody>
</table>


**Survivor and Disability Benefits**

While most people think of Social Security as a retirement program, people of color rely more heavily on the survivor and disability components of Social Security, suggesting that it is important to also focus on these vital program components. For example, while the vast majority of white Social Security beneficiaries (74%) depend on the program for its retirement benefits, only 44 percent of all African American beneficiaries and 43 percent of all “other” beneficiaries of color do so. However, almost half (45%) of all African-American beneficiaries and a majority (58%) of “other” racial and ethnic minority groups rely on Social Security for its survivor and disability benefits, compared to only (26%) of whites. For many people of color, their heavier reliance on survivor and disability benefits reflects socioeconomic factors, such as lower educational attainment and higher rates of poverty, which contribute to their disproportionate rates of disability and early death. For Hispanics who are longer lived than other populations, this
difference represents their higher fertility rates in addition to socioeconomic factors that place them at greater risk for disability.¹⁶

**Figure 2 - Use of Social Security by Beneficiary Type and Race/Ethnicity**

<table>
<thead>
<tr>
<th></th>
<th>Whites</th>
<th>Blacks</th>
<th>“Other”</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retirement</strong></td>
<td>15%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Survivor</strong></td>
<td>11%</td>
<td>15%</td>
<td>27%</td>
</tr>
<tr>
<td><strong>Disability</strong></td>
<td>74%</td>
<td>55%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Social Security Administration, Annual Statistical Supplement, Table 5A1, 2008

**Women of Color**

As a majority of adult Social Security beneficiaries (52%), women also rely on Social Security.¹⁷ More than half (60%) of adult women receive Social Security as retired workers, while the remainder are women who rely on Social Security as widows of deceased workers and the caretakers of their dependent children, as disabled workers, as disable dependents, or as the spouses of retired and disabled workers.¹⁸ In general, women live longer than men, have a history of lower earnings during the course of their working years (see Fig. 3), have far fewer assets, take more time out of the workforce to care for family, and have higher rates of poverty. These factors increase their reliance on Social Security.

Women of color face unique circumstances that make them more vulnerable to extreme poverty and more reliant on Social Security as they age. Disproportionately lower earners—even more so than white women and men of all races and ethnicities, women of color are more likely to have had low-wage and part-time employment during their working years.¹⁹ In addition to being more likely to experience extreme poverty, women of color are the least likely to possess accumulated wealth. One study found that single black and Latina women have only one penny of wealth for every dollar of wealth owned by their male counterparts and a fraction of a penny for every dollar of wealth owned by a single white woman.²⁰ The double whammy presented by the poverty and wealth gaps makes women of color even more reliant on Social Security’s progressive benefit formula.
The marital status of women of color and the earnings of the men they marry, if they marry, also contribute to their economic insecurity. While marriage often provides a step up the economic ladder for white women, women of color have no such marital advantage because they tend to marry men of color who also have lower earnings relative to whites.\textsuperscript{21} One in five African-American married couples and one in four Hispanic married couples rely on Social Security for all of their income in retirement, compared to only one in ten white couples.\textsuperscript{22}

Because of racial and gender disparities in lifetime earnings, life expectancy, and marital patterns, women of color tend not to be helped as much as white women by the Social Security spousal benefit. Under current law, a woman can choose to receive a retirement benefit based on her own record or a spousal benefit that provides 50 percent of the amount of her spouse’s Social Security benefit. The first point of disadvantage for married or widowed women of color is that they are less likely than white women to receive a healthy retirement benefit if they opt for the spousal benefit. As mentioned earlier, this is largely due to earnings disparities between men of color and white men.

Furthermore, it is possible that a woman of color could work her entire life, elect to receive her Social Security benefits based on her own earnings, and still receive a smaller monthly check than a white woman who has never worked but who is receiving a Social Security spousal benefit based on her husband’s earnings. The second point of disadvantage for some women of color (e.g., African American and Native American women) is that they belong to groups with lower life expectancies. A disproportionate number of people from groups with lower projected life expectancies opt to receive their retirement benefits earlier than the age upon which they would be eligible to receive their full retirement benefits. Thus, if a woman of color elects to receive a spousal benefit and if she and her husband both take early retirement as a hedge against projected life expectancy, her benefits would be permanently reduced over her lifetime if she lives longer than her spouse, which is generally the case for women.

Divorced women and women who have never married have the highest rates of poverty.\textsuperscript{23} African-American women are especially disadvantaged because they are the least likely to ever be married.\textsuperscript{24} In 2007, 47 percent of all elderly unmarried females receiving Social Security benefits relied on Social Security for 90 percent or more of their income.\textsuperscript{25} Nearly 20 percent of unmarried women 65 and older live below the poverty line, compared with 5 percent of married elderly women. Without Social Security, more than two-thirds of unmarried elderly women would fall into poverty.\textsuperscript{26}

Children of Color
Social Security is important for children who receive benefits as the dependents of disabled, deceased, or retired workers. Of the 6.5 million children in families that received Social Security benefits in 2005, 1.3 million were lifted out of poverty as a result of Social Security income. Children of color are disproportionately more likely than white children to receive Social Security as the survivor of a caretaker who has died or the dependent of a caretaker with a disability. For example, Social Security Administration data shows that of all African Americans receiving survivor benefits, 49 percent are children. In comparison, only 24 percent of all whites receiving Social Security survivor benefits are children. Although small in number, children of color are also more likely to receive retirement benefits as a result of being cared for by an older adult. The monthly Social Security check these children receive is vital for meeting their living expenses and keeping them out of poverty. In fact, a 2001 National Urban League report found that Social Security lifts four times more African American children out of poverty than white children.

Figure 4 - Children Receiving Benefits by Type of Benefit and Race, SSA 2008

Source: Social Security Administration, Annual Statistical Supplement, Table 5A1, 2008.

Recommendations

The statistics about communities of color and certain vulnerable populations within them underscores the need to ensure that Social Security’s benefits remain there to protect them in retirement and in instances of disability and early death. Furthermore, instability in the U.S. labor market—caused by market fluctuations and the globalization of labor and trade—means that there is a need to consider additional ways to strengthen Social Security’s protections for vulnerable workers.

Given the nation’s fiscal outlook, some say that the U.S. can ill afford expansions to Social Security and argue for benefit cuts instead. However, experts at the National Academy of Social Insurance and elsewhere suggest that the program could be strengthened even as policy-makers enact modest reforms that help bring Social Security back into actuarial balance. It is important to note that, when presented with the choices, two in three Americans, and people of color especially, are more likely to support strengthening Social Security over proposals to cut its benefits in response to the nation’s fiscal crisis. These findings are not surprising given their reliance on Social Security’s benefits.

The following recommendations are among the program enhancements considered beneficial to workers and families of color.

- **Restore the Student Benefit for Youth Survivors.** Skyrocketing college tuition is making a college education increasingly unaffordable for many low-wealth families of color. Legislation enacted in 1981 phased out the Social Security student benefit that allowed youth enrolled in college to continue receiving
their survivor benefit checks until they were 22 years of age. The age of benefit recipiency was reduced to 18 or 19 years of age for youth still in school. Studies have found that when the student benefit was a part of Social Security, it was an effective and low-cost mechanism for helping many low-income students of color enroll in and matriculate through college.30 Given faltering college enrollment rates among students of color and their growing proportion of the U.S. population, this outcome is not only valuable for increasing the economic security of families of color; it is also important for the economic vitality of the nation.

- **Institute a Minimum Benefit within Social Security.** People who have worked hard all of their lives should not have to live in poverty in retirement because of labor market factors such as low wages, unemployment, and underemployment. Creating a minimum benefit above the poverty level within Social Security will provide a base of security for lower-income retirees while helping them maintain their assets. Establishing a minimum benefit is especially important in light of the erosion of benefits resulting from rapidly rising Medicare premiums; which are normally deducted directly from Social Security retirement checks.

- **Improve Supplemental Security Income (SSI).** While extremely low income workers may be eligible to receive Supplemental Security Income (SSI) in addition to their Social Security payments upon retirement, the means tested nature of SSI requires beneficiaries to have little or no accumulated wealth in order to qualify. This represents a significant economic penalty for older adults with limited means. Congress should remove or raise the asset limits on savings and adjust benefits for inflation.31 Congress should also repeal restrictions that limit access to SSI benefits for legal immigrants.32

- **Collect Robust Data.** The Social Security Administration should collect disaggregated racial, ethnic, and socioeconomic data on the SS5 form at the time of enrollment to make it easier for researchers, practitioners, and others to understand how populations with various demographic characteristics use Social Security and Medicare.

- **Improve Access to Disability Benefits.** Improve funding for the Social Security Administration to address the backlog in disability claims, which in turn will help vulnerable workers obtain access to much needed disability benefits in a timelier manner. Also, engage outside arbitrators in the Social Security disability appeals process to reduce the likelihood of discriminatory treatment in the disability appeals process.

- **Improve Language Accessibility.** Ensure that all Social Security branch offices have multi-lingual staff and that materials be available in multiple languages so that workers and the dependents of workers with limited English proficiency can be well served. Also, provide access to interpreters, judges and workers who are language and culturally appropriate (interpreters who understand) to handle Social Security cases.

- **Implement a Progressive Financing and Funding Structure.** As Peter Diamond and Peter Orzag suggest in their seminal 2004 book, changes to Social Security should be financed using a progressive approach to payroll tax increases and benefit reductions. This would include 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.33 It would also include raising the wage cap on Social Security contributions paid by higher earners.

- **Provide 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 caregivers. These caregivers should be able to claim credit if their income is below a certain amount; this change would increase economic security especially for women elders.

- **Examine the intersection of Social Security Disability and Retirement benefits and child support enforcement policy.** Noncustodial parents (generally men) are required to reimburse the state or federal government for welfare assistance to their children under the federal AFDC and TANF programs. SSI and Social Security retirement benefits – often the sole source of income – can be garnished. A study should be undertaken to ensure that men who have worked in low-income jobs and who can no longer work are not impoverished.

**Conclusion**

For 75 years Social Security has helped provide economic security for American workers and their families. For families of color, Social Security has not only helped to keep them out of poverty, it has also helped them maintain a standard of living that would not otherwise be possible when they or family members are faced with death, disability,
or old age. From an asset-building perspective, Social Security is an important form of savings that gives workers of color important insurance protections that they might not otherwise be able to afford in the private market.

As people of color transition into becoming the majority of the U.S. workforce, and eventually the majority of the older adult population, it is important to consider how these populations use Social Security and how the program can be strengthened to better serve their needs. Because workers from historically marginalized populations tend to also be those most economically disadvantaged, Social Security represents an important vehicle for strengthening their economic security. Furthermore, as an earned worker benefit, Social Security is not charity but an important tool for helping workers of color and their families maintain their standard of living and dignity without the fear or stigma associated with means-tested welfare programs.

In conclusion, all people deserve to receive the resources they need to support themselves and their families during critical moments in their lives. People of color are no exception. The economic challenges facing the U.S. combined with increased worker insecurity caused by globalization, means that the entire nation has a stake in ensuring the protection of vulnerable workers regardless of their background. As the ultimate worker protection program, Social Security should be valued for the stability it brings to diverse workers and protected for today’s workers and for generations to come. In short, Social Security is not just a worker program, it is a social compact—between people living today and between generations over time—that is essential for the wellbeing of workers and their families and for the strength of our democracy.

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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 policy brief was produced as part of our 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 and www.insightcced.org.


Ibid.


Ibid.


U.S. Census Bureau. 1998. Marital Status of Persons 15 Years and Over, By Age, Sex, Race, Hispanic Origin, Metropolitan Residence, and Region: March 1998. Table 1.


Rockeymore and Shepard, 2010.


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