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## **African American Women Depend Heavily on Social Security**

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## OVERVIEW

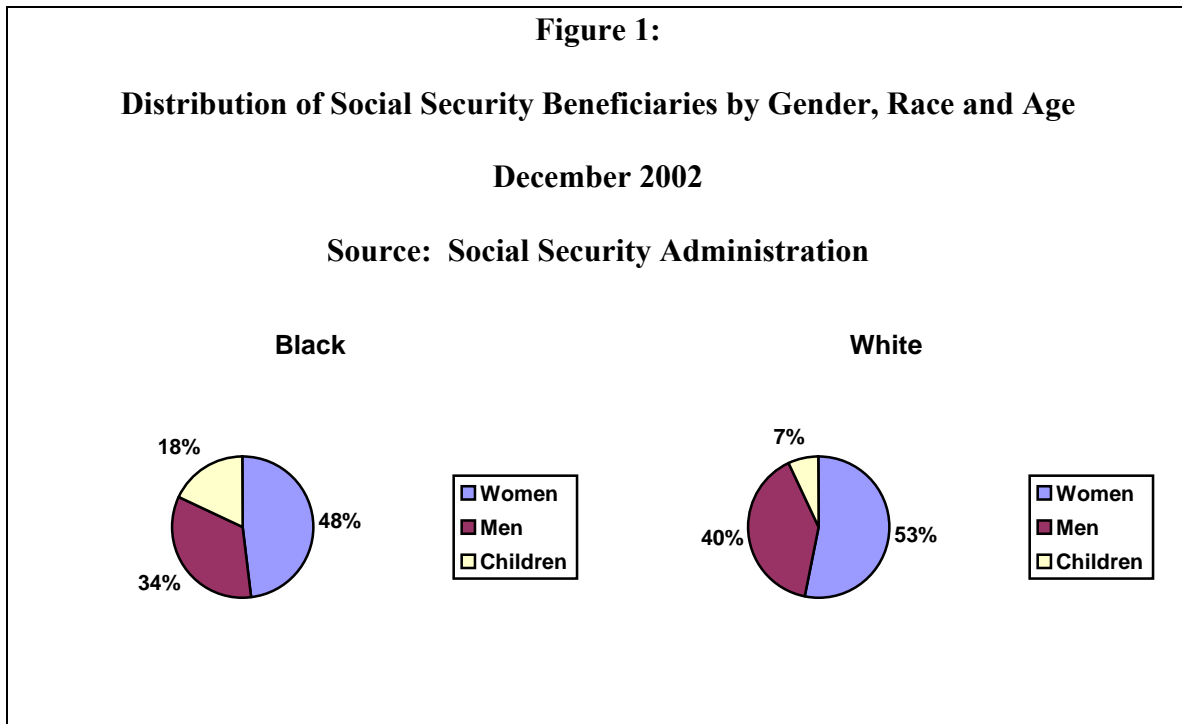
For women who receive Social Security benefits most are eligible as a result of working and paying into the Social Security Trust fund. After a long life of working significantly lower-wage jobs than men, women more frequently depend on Social Security as their sole source of income. According to the Social Security Administration (SSA), the distribution of women recipients for Blacks and Whites slightly differ. In 2002, of all Blacks receiving Social Security benefits 48 percent were women and for Whites 53 percent were women (see Figure 1). Undeniably, a solvent Social Security system is critical to the quality of life that women enjoy throughout their life cycle, due to the nature of their social and economic evolution in the United States. Women are more often the primary caretakers of children and thus may need time off for childbearing and childrearing. Moreover, discrimination within the job market for women often results in unequal pay for equal work. Specifically, Black women face a number of challenges within the labor market. Gender and race discrimination effectively create a market wherein Black women's average hourly wages are the lowest when compared to White women and Black and White men. Black women net \$10.16 an hour while Black men net \$11.83, White women net \$12.07 and White men net \$15.90 on average.<sup>1</sup>

There are significant differences in reasons for Social Security receipt for Black and White women. Overall, White women who receive benefits are more likely to draw down on Social Security as retirees (59.16%), while 19 percent of all Black women drawing down on Social Security do so because of a disability compared to only 8 percent of White women (see Table 1). The fact that 18 percent of Black women do not

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<sup>1</sup> These wages were computed using the March CPS, 2002 and statistics made available in Lawrence Mishel, Jared Bernstein and Heather Boushey. "The State of Working America 2002/2003." Economic Policy Institute. Washington, D.C., 2003.

have access to health insurance as compared to 12.9 percent of White women provides a partial explanation for Black women’s dependence on Social Security disability benefits as it contributes to their poorer health status.



In general, for women receiving Social Security benefits, over 71 percent of Black women and 66 percent of White women are entitled to Social Security due to their work history (see Table 1). White women are 9 percentage points more likely than Black women to be dually entitled to Social Security, meaning that they qualify both as a worker and the spouse of a worker (see Table 1). Black women who have reached retirement age are 15 percentage points more likely than White women to draw down on Social Security benefits as a result of just their own work histories (see Table 1). According to the U.S. Census Bureau, while nearly 42 percent of Black women had never

been married in 2001, only 21 percent of White women had never been married.<sup>2</sup>

Differences in marriage rates explain, in part, why Black women are not dually entitled to Social Security benefits at the same rate as White women.

These data illustrate the variation in use of Social Security benefits by each group. Usage is a reflection of the social dynamics, which confront individuals socially and economically throughout the life cycle. In many regards, Black women are mainly left to fend for themselves upon retirement, a disabling event, or death of a spouse.

<b>Table 1: Reason For Social Security Benefit for Women*, 2002</b>		
	<b>Black</b>	<b>White</b>
Retired	54.03%	59.16%
Disabled	19.49%	8.38%
<i>Widows</i>	20.28%	20.43%
Entitlement based on care of children	1.26%	0.60%
<b>Women 65 and older</b>	<b>Black</b>	<b>White</b>
<i>Entitled as worker</i>	71.52%	66.19%
Worker only	50.32%	35.64%
Dually entitled	21.20%	30.54%
<i>Entitled as wife or widow only</i>	28.48%	33.81%
<i>Source: CBCF computation of the Social Security Administration data, 2002</i>		

## **DATA AND RESULTS**

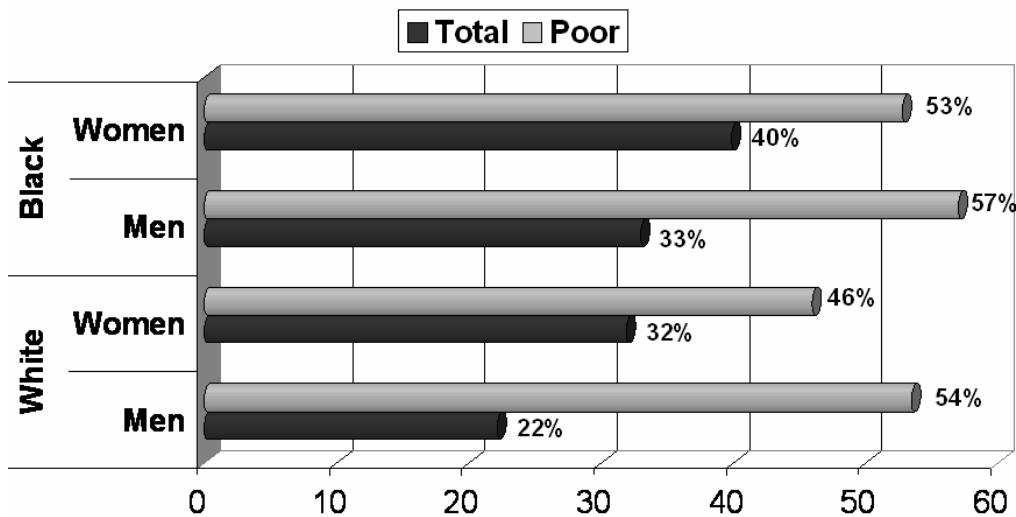
Using data from the Survey of Income and Program Participation 2001 panel the percent of total monthly income that Social Security benefits constitute for individuals is computed. Where Social Security monthly benefits are 95 percent or more of total income, these individuals were determined to be solely dependent. Although the Social

<sup>2</sup> U.S. Census Bureau. Detailed Table 1 – Marital History for People 15 Years Old and Over by Age, Sex, Race and Ethnicity: 2001. <http://www.census.gov/population/www/socdemo/marr-div/p70-97-tab01.html>, Feb. 2005.

Security Administration has reported that Social Security is the only source of retirement income for 40 percent of elderly African Americans, it is important to determine the reliance of all who draw down on the array of benefits that Social Security provides. The variation in dependence by race, gender and class further supports claims that various segments of society utilize Social Security differently, making all aspects of the Social Security program extremely important.

Of all women (18–85) receiving Social Security, nearly 33 percent are solely dependent on the benefits. At nearly 40 percent, Black women are most reliant on Social Security as a sole source of income (see Figure 2). Black women are nearly 7 percentage points more reliant than Black men, and 8 percentage points more reliant than White women on Social Security as their sole income source. Black women are much more reliant than White men as illustrated with a dramatic 17.7 percentage point difference in sole dependence on Social Security benefits (see Figure 2).

**Figure 2: Comparing the Percent of Total and Poor Beneficiaries Who are Solely Dependent on Social Security, by Race**



Source: CBCF analysis of SIPP 2001 panel

Also, displayed in Figure 2 is a contrast of the percent of all Social Security recipients and poor recipients by race and gender that are solely reliant on benefits. Comparing the total group with the poor group for each race illustrates significant differences in sole dependence. White and Black women in poverty are 14.1 and 12.9 percentage points respectively more reliant on Social Security as a sole source of income than all women within each group (see Figure 2). Poor White men are 31.3 percentage points more dependent on Social Security as the sole source of income than the total group of White men. Similarly, poor Black men are 24 percentage points more reliant than the total group of Black men.

The heightened dependence on Social Security by poor women and men is no surprise, among those that are solely dependent on Social Security most have no other supplemental income and over their lifetime they have been unable to contribute to other retirement and emergency fund savings. Despite the overwhelming need for Social Security for women as displayed by the black shaded bars from Figure 2, both White and Black men in poverty are significantly more reliant than poor women. In large part, these differences can be significantly explained by the poor labor market attachment and inferior earnings wherein poor men have many more spells of no employment than women, decreasing their total lifetime earnings, which ultimately determine Social Security benefit levels. For example, data from the Bureau of Labor Statistics in 2002<sup>3</sup> illustrate a great difference in the percent of weeks unemployed for uneducated<sup>4</sup> men and women. For people 18 to 38 over a 24-year span, on average, men were unemployed for

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<sup>3</sup> U.S. Bureau of Labor Statistics. Table 3. Percent of weeks individuals were employed, unemployed, in the labor force from age 18 to 38, 1978-2002, [www.bls.gov/nes.release/nlsoy.t03.htm](http://www.bls.gov/nes.release/nlsoy.t03.htm), March 2005.

<sup>4</sup> Although uneducated people are not necessarily poor, education has been proven to be highly correlated with poverty and is a widely accepted proxy for poverty.

a total of 9.7 percent of the weeks and women only 5.8 percent of the weeks. Moreover, observing these statistics for uneducated Blacks over this 24 year span reveals that Blacks, on average, were unemployed 12.2 percent of the weeks.

For all recipients that are solely dependent, 64 percent receive retirement benefits, 15 percent receive disability and nearly 13 percent receive survivor benefits. Significantly less solely dependent Black women and Black men as compared to solely dependent recipients overall draw down because they retired. According to Table 2, White women (66%) draw down on Social Security retirement benefits 11 percentage points more than do Black women (55%). Similarly, White men (67%) draw down retirement benefits at 21 percentage points more than Black men (46%) (see Table 2).

<b>Table 2: Reason for Receipt of Social Security for Those Solely Dependent</b>					
	<b>White</b>			<b>Black</b>	
	<b>All</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
Retired	64.1	67.2	65.9	46.1	54.7
Disabled	21.1	29.8	13.9	50.6	24.8
Widowed or Surviving Child	8.4	0.3	12.5	1.5	13.6
Spouse or Dependent Child	5.1	1.7	7.1	0.0	5.8
Other Reason	1.4	.9	1.4	1.8	1.1
<b>TOTAL PERCENT</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Source: CBCF analysis of SIPP 2001 panel**

Disability is disproportionately the reason for Social Security receipt for solely dependent Black men and women. Solely dependent Black women are twice as likely as solely dependent White women to receive Social Security because of a disability, while Black men are nearly 21 percentage points more likely than White men to draw down as a result of a disability (see Table 2). White men who are solely dependent are over twice as likely as White women to draw down because of a disability. On average, men solely dependent and drawing down on disability benefits are younger than their female

counterpart. The mean age for Black men is 50 while the mean age for Black women is 55 (see Table 3). Similarly, the mean age for White men is nearly 53 and for White women 54.

<b>Table 3: Mean Age of Retirement and Disability Beneficiaries that are Solely Dependent</b>		
	<b>Retirement</b>	<b>Disability</b>
<b>White</b>		
Male	73.78	52.80
Female	74.37	53.90
<b>Black</b>		
Male	73.58	50.39
Female	74.02	55.13

**Source: CBCF analysis of SIPP 2001 panel**

## **POLICY IMPLICATIONS**

Those most dependent on Social Security having no other significant sources of supplemental income are at greatest risk if the current system is not maintained and strengthened. These individuals have meager fixed incomes and they count on their Social Security contributions to be there when they need it. Many of the individuals that find themselves solely reliant on Social Security benefits are poor (95%). It is likely that spotty work histories and low wage work are the cause of low benefit levels. As disproportionately lower income workers and unemployed, African Americans greatly benefit from Social Security's progressive benefit formula, which replaces a larger percentage of low-income beneficiaries' pre-retirement earnings as compared to higher earners. This progressivity also allows the years of very low to no earnings to be discounted by only counting 35 of the highest earning years for an individual. Combined with an annual cost-of-living adjustment that keeps Social Security benefits on par with

inflation, the value of Social Security's steady and stable benefits are great for African American families.

Wealth building proposals in addition to Social Security are necessary to alleviate the poverty that many experience as they rely on Social Security benefits as their sole source of income. Given the racial wealth disparities that exist, it is important for policymakers to consider ways to close the asset gap. Social investment in savings vehicles like Individual Development Accounts, "Universal 401K's" and other such measures would provide a positive benefit for African American families that experience obstacles to asset accumulation. These asset-building measures, however, should be pursued as a supplement to, not at the expense of, Social Security's important benefits.

Other proposals that encourage wealth accumulation beginning at childhood are also very critical to closing the wealth gap. Child savings accounts effectively allow children to begin building wealth to pursue further education or buy a home once they reach adulthood. Proposals such as H.R. 4939 - the America Saving for Personal Investment, Retirement, and Education Act, otherwise known as "The ASPIRE Act", sponsored by Harold R. Ford, Jr. (D-TN) is an example of the kind of programs that are needed. This Bill encourages wealth accumulation and financial literacy among low-income youth by providing every newborn child within a household earning less than the national median income a one-time \$500 contribution with the ability to continually contribute and hold within interest bearing accounts.