

# LATINOS & SOCIAL SECURITY

## POLICY BRIEF

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# LATINOS AND THE FUTURE OF SOCIAL SECURITY: A TIME TO ACT

BY

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Recent debates about the Social Security system have failed to take into account the impact of the current system on Latinos and how proposed changes could affect them. Latinos are the largest minority group and fastest growing population in the United States. Research demonstrates that when compared with the U.S. population as a whole, Latinos benefit more from Social Security and therefore rely on it for a greater share of their income in retirement.

This report considers the economic and demographic characteristics that determine the benefits that Latinos receive from Social Security. It offers policymakers a more complete picture of Social Security and its role within U.S. society.

## HOW LATINOS BENEFIT FROM SOCIAL SECURITY

Latinos share four characteristics that result in a higher rate of return on their Social Security contributions than that received by the U.S. population as a whole. As a group, Latinos have lower lifetime incomes, longer life expectancies, higher disability incidence, and larger families.

**Lower Lifetime Incomes.** Lifetime earnings are used to calculate Social Security benefits. Because the Social Security benefit formula is progressive, a worker with low lifetime earnings gets proportionally more in benefits from Social Security than a worker with high lifetime earnings. On average, Latinos receive lower wages than the population as a whole. The median income for Latinos from jobs covered by Social Security was \$22,400 in 2002, compared to \$28,000 for all covered workers,<sup>1</sup> a difference of 20 percent. Average lifetime income from jobs covered by Social Security was also lower for Latinos than for the entire population.

**Longer Life Expectancies.** The Social Security Administration estimates that, based on U.S. census data, Latino men aged 65 in 2004 can expect to live an average of additional 20 years, compared to 16 years for all men. The Social Security Administration also estimates that Latino women aged 65 in 2004 can expect to live an average of 23 additional years, compared to 20 years for all women. As a result, Latinos can expect to receive Social



Security benefits over a longer period than the general population.

**Higher Disability Incidence.**

Latinos have a higher probability of becoming disabled and receiving Social Security disability insurance benefits. In its study on minorities and Social Security, the Government Accountability Office (GAO) found that Latinos made up 8.4 percent of its sample (which consisted of covered workers born from 1931 through 1964) but represented 10.1 percent of disability insurance beneficiaries.<sup>2</sup>

**Larger Families.**

Finally, Social Security tends to benefit disproportionately families that have a larger number of children because Social Security provides benefits to the dependent children of retired, deceased, and disabled workers. As of 2003, the Latino fertility rate stood at 2.8 children per woman, while the national fertility rate was 2.0 children per woman. Because Latinos tend to have more children per family, they tend to gain proportionately more from Social Security benefits directed to children.

**KEY CONCERNS FOR ELDERLY LATINOS**

Given the combination of Latinos' longevity and lower lifetime income, Social Security is a particularly important source of income for elderly Latinos. Without Social Security, more than half of elderly Latinos would live in poverty. As of 2002, Social Security

**TABLE 1. Impact of Social Security on the Poverty of Elderly Latinos: Percentage of Those Aged 65 and Older Who Were Living in Poverty in 2002**

National Origin	Without Social Security	With Social Security	Percentage Point Reduction from Social Security	Number Lifted Out of Poverty
Hispanic	50.7%	17.9%	-32.8%	673,000
Mexican	51.6%	20.1%	-31.5%	347,000
Cuban	53.7%	15.0%	-38.7%	132,000
Central/South American	42.3%	12.4%	-29.9%	78,000
Puerto Rican	50.9%	16.3%	-34.6%	72,000
Other Hispanic	N/A*	N/A*	N/A*	45,000

\*Note: Sample size is too small to calculate percentages.  
Source: CBPP tabulations of March 2003 Current Population Survey data.

**TABLE 2. Sources of Income for the Elderly: Percentage of Those Aged 65 and Older in 2002**

	Latino Elderly	All Elderly	Difference
Social Security	44.2%	39.4%	+4.8%
Pensions/Annuities*	13.3%	19.0%	-5.7%
Subtotal: Retirement Benefits	57.5%	58.4%	-0.9%
Income from Assets	6.3%	13.6%	-7.3%
Earnings	30.4%	24.9%	+5.5%
Public Assistance	3.6%	0.7%	+2.9%
Other	2.2%	2.4%	-0.2%
Total	100.0%	100.0%	0.0%

\*Note: Sample size is too small to calculate percentages.  
Source: CBPP tabulations of March 2003 Current Population Survey data.

lifted 673,000 elderly Latinos out of poverty and reduced the poverty rate among Latinos aged 65 and older from 50.7 percent to 17.9 percent. As Table 1 shows, the anti-poverty effects of Social Security are roughly similar across the Latino community, irrespective of country of origin.

Elderly Latinos receive a particularly small share of their income from pensions and annuities and financial assets, as shown in Table 2. This is important to note since, together with Social Security, these forms of income

provide the basis for retirement security. The elderly population as a whole received 19.0 percent of its income from pensions and annuities in 2002. By contrast, elderly Latinos received 13.3 percent of their income from those sources. Elderly Latinos also received a much smaller share of their income from assets, which is another key to retirement security. Income from assets represented only 6.3 percent of their income, as opposed to 13.6 percent of income for the population as a whole.<sup>3</sup>

## CONCLUSION

The Latino community has a great deal at stake in the debate over the future of the Social Security system. Latinos benefit greatly from the various types of insurance and redistributive mechanisms that Social Security provides—but that information is not widely known, within either the general population or the Latino community.

Contrary to the well-publicized, yet statistically invalid 1998 Heritage Foundation report, which argued that Latinos would fare much better under a system of private accounts, detailed studies by government agencies and independent nonpartisan research centers prove that this is not the case. Instead, these studies, which analyze Social Security records, confirm that Latinos receive a higher average rate of return on their Social Security contributions than the U.S. population as a whole. As one of these studies shows, Latinos receive more in Social Security benefits for each dollar they pay into the system than either non-Latino whites or blacks.<sup>4</sup> In this respect, Latinos are especially vulnerable to changes in the Social Security system. Understanding the impact of these changes is essential.

## RECOMMENDATIONS

The findings suggest several immediate recommendations with respect to policy and additional research:

1. Given the distinctive characteristics and demographic presence of Latinos in the United States, the Latino community must be a significant factor in policy debates on the future of Social Security. That has not been the case thus far.

2. Further research is needed to assess the potential impact of proposed changes to Social Security on the Latino community.

3. There is an immediate need for greater public awareness about the impact of Social Security on Latinos. The Latino community in particular requires a factual knowledge base not only to understand and determine how Social Security impacts their aging and retirement but also to effectively participate in ongoing policy debates.

## Notes

1 Social Security Administration (SSA), "Social Security is Important to Hispanics," September 2004, available at <http://www.ssa.gov/pressoffice/factsheets.hispanics.htm>.

2 Government Accountability Office (GAO), *Social Security and Minorities: Earnings, Disability Incidence, and Mortality Are Key Factors That Influence Taxes Paid and Benefits Received*, April 2003, p. 11, available at <http://www.gao.gov/new.items/d03387.pdf>.

3 Social Security Administration, "Income of the Population Aged 55 or Older, 2002," March 2005, Tables 7.1 and 7.4, available at [http://www.ssa.gov/policy/docs/statcomps/income\\_pop55/2002/](http://www.ssa.gov/policy/docs/statcomps/income_pop55/2002/).

4 Jeffrey Liebman, "Redistribution in the Current U.S. Social Security system," in *The Distributional Effects of Social Security and Social Security Reform*, ed. Martin Feldstein and Jeffrey Liebman (Chicago: University of Chicago Press, 2002), 31.

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## SOURCE:

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Recent debates about the Social Security system have failed to take into account the impact of the current system on Latinos and how proposed changes could affect them. Yet Latinos share four characteristics that result in a higher rate of return on their Social Security contributions than that received by the U.S. population as a whole. This report offers policymakers a more complete picture of Social Security and its role within U.S. society.

### MISSION STATEMENT

*Latinos and Social Security* is an ongoing project to study the impact of Social Security on the Latino population. It is a collaborative research project of the UCLA Center for Policy Research on Aging, the USC Ethel Percy Andrus Gerontology Center, and the UCLA Chicano Studies Research Center, in partnership with the National Hispanic Council on Aging and the National Association of Latino Elected and Appointed Officials (NALEO). Major support is provided by the Ford Foundation.

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