

Why Raising the Retirement Age Would Hurt African Americans

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Social Security is an essential social insurance program that provides economic security for U.S. workers and their families in retirement, in case of disability or death of a breadwinner. The program protects families from

falling into poverty, and is especially important to vulnerable families that do not have the necessary income or savings to get by. This fact sheet outlines the main reasons why African Americans would be negatively affected by raising the Social Security age limit.



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FACTS AT A GLANCE:

- The life expectancy at birth for African Americans is 75.1 years compared to 78.9 years for Whites.
- Raising the retirement age to 69 would cut Social Security benefits by about 14 percent per month.
- Forty-six percent of African American seniors over the age of 65 rely on Social Security for more than 90 percent of their income in retirement.

Social Security Finances & The Retirement Age

In 2015, the Board of Trustees of the Federal Old-Age and Survivors and Disability Insurance (OASDI) Trust Funds predicted that Social Security retirement benefit payments would exceed dedicated tax revenues by 2022, and the old-age Social Security program would become insolvent by the year 2035, when the

reserve funds are depleted and beneficiaries would receive only 77 percent of their benefits.¹

There have been numerous proposals introduced to save Social Security from its funding shortfall. One proposal that has gained a lot of traction in recent years with business CEOs and

policy experts is raising the full retirement age.² However, this proposal ignores the economic hardship this policy would impose on African Americans. As of 2011, 3 million African Americans relied on Social Security for some part of their income, and this number is only expected to grow.³

African Americans Have a Shorter Life Expectancy

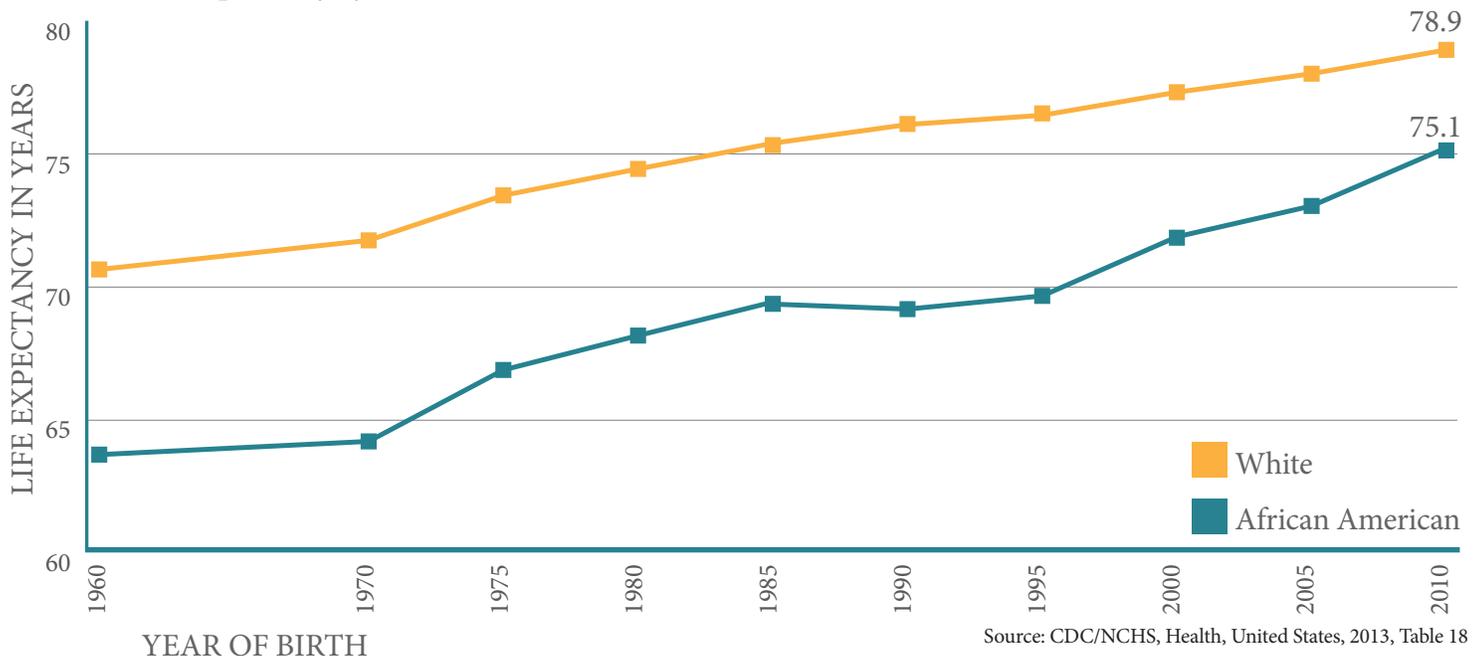
To justify increasing the retirement age, advocates frequently cite the trend that people are living longer than they were in 1940, when the Social Security program began paying benefits. Although people are living longer on average, this line of argument neglects to mention the longevity differences between racial groups. For example, in 2010, the life expectancy at birth for African Americans was 75.1 years compared to 78.9 years for Whites.⁴ It also fails to consider that

it is the upper half of the income distribution that is experiencing increased life expectancy while it has stalled for the bottom half. Life expectancies for male workers in the top half of the income distribution has increased by 6 years over the past three decades, compared to 1.3 years for those in the bottom half of the distribution.⁵

As shown by Figure 1, African Americans tend to have shorter life expectancies. Increasing the retirement age would mean that

African Americans have a higher risk of dying before reaching eligibility or are more likely to receive benefits for a shorter period of time after retirement.⁶ This is especially the case with African American men, who have the lowest life expectancy (71.8) compared to African American women (78.0), White men (76.5), White women (81.3), Hispanic men (78.5), and Hispanic women (83.8).⁷

FIGURE 1: Life Expectancy by Race, from 1960 to 2010



Source: CDC/NCHS, Health, United States, 2013, Table 18

Increasing the Retirement Age Is a Benefit Cut

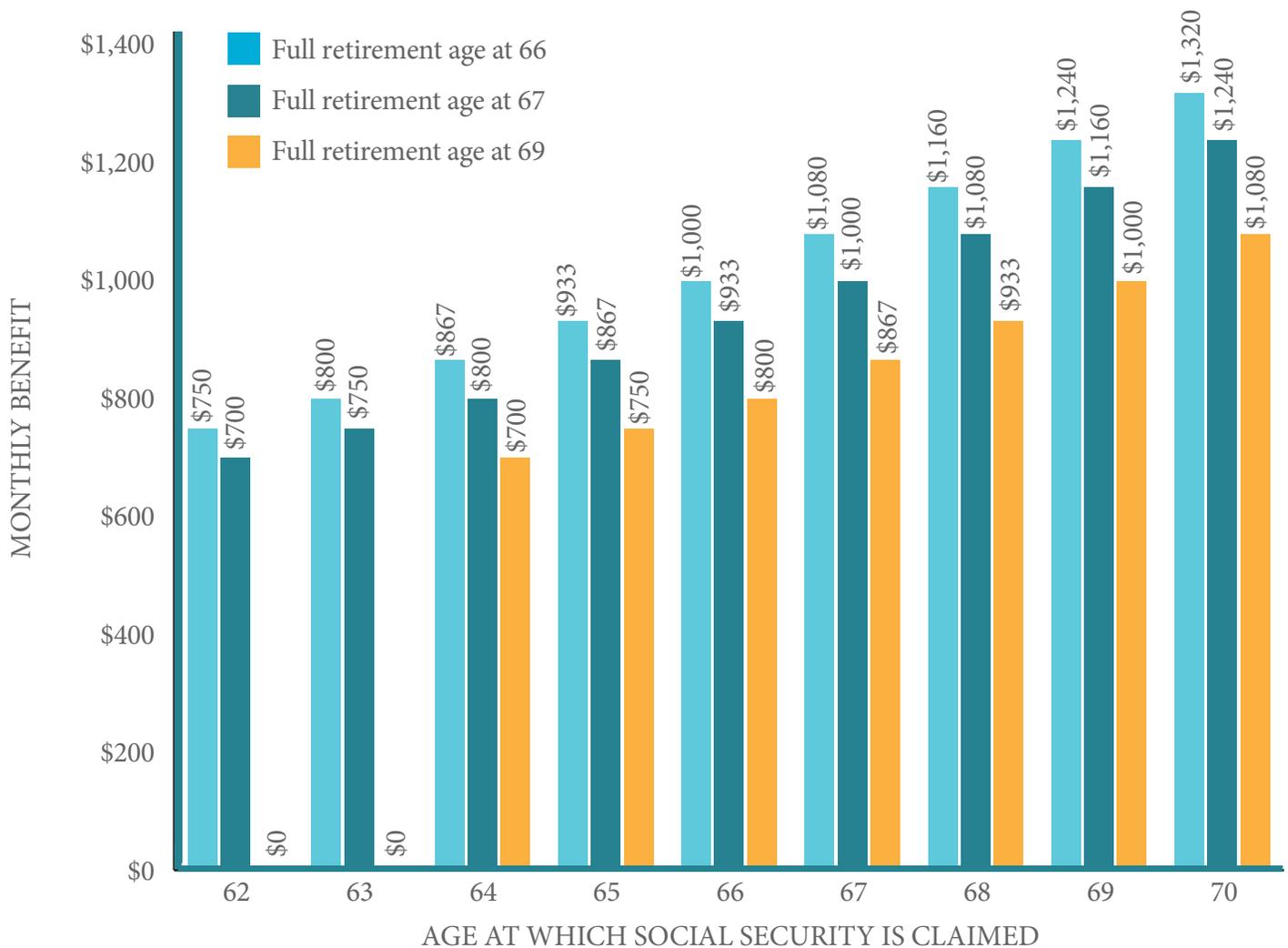
Individuals are eligible to receive reduced Social Security benefits at age 62. The age at which people can receive full retirement benefits is currently 66 (generally known as the normal retirement age), and is scheduled to increase to 67 for beneficiaries who reach age 62 by 2022.⁸ Those who choose to retire early, at 62, will receive lower benefits each year before the full retirement age. Raising the full retirement age even higher, to age 69, as proposed by Bowles-Simpson, would cut benefits by about 14

percent per month.⁹ Figure 2 shows how raising the retirement age to 69 would lower the monthly payments beneficiaries would receive, depending on the age at which they claim Social Security.

Two out of every five African American households of retirees age 65 and older rely on Social Security as their sole source of income. Moreover, 46 percent of African American seniors over the age of 65 rely on Social Security for more than 90 percent

of their income in retirement compared to 35 percent of their White counterparts.¹⁰ As a result, even a benefit cut of 14 percent would affect African Americans in a disproportionately adverse way. Policymakers and retirement security experts must work together to develop strategies that will ensure Social Security's longevity without negatively and disproportionately affecting African Americans.

FIGURE 2: Raising the Full Retirement Age to 69 Reduces Benefits (Bowles-Simpson proposal)



Source: Center on Budget and Policy Priorities

African Americans Retire Earlier Due to Unemployment and Poor Health

Many African American workers are forced into early retirement, which may result in a permanent Social Security benefit reduction of up to 30 percent.¹¹ As a result, African American retirees are more likely to earn less in Social Security benefits than White retirees due to spending fewer years in the workforce and earning less income.

During the Great Recession, for example, African Americans faced higher unemployment rates than Whites, which negatively impacts Social Security benefits. Since these benefits are calculated based on a person's highest 35 years of earnings, long periods of unemployment and lost income can reduce the overall benefit for workers with less than 35 years of earnings.¹²

African American men, age 60 and over, are generally twice as likely to be unemployed as older White men.¹³ In addition, African Americans may leave the workforce early because of long-term unemployment and difficulty finding a job, which results in sustained joblessness and spending more time

seeking work than their White counterparts. In 2013, the median duration of unemployment for African Americans was 38 weeks regardless of age, compared to 32 weeks for White job seekers.¹⁴ Older African Americans and Hispanics, who are typically concentrated in low-wage industries, also tend to experience unemployment and its economic hardship more often than older Whites.¹⁵

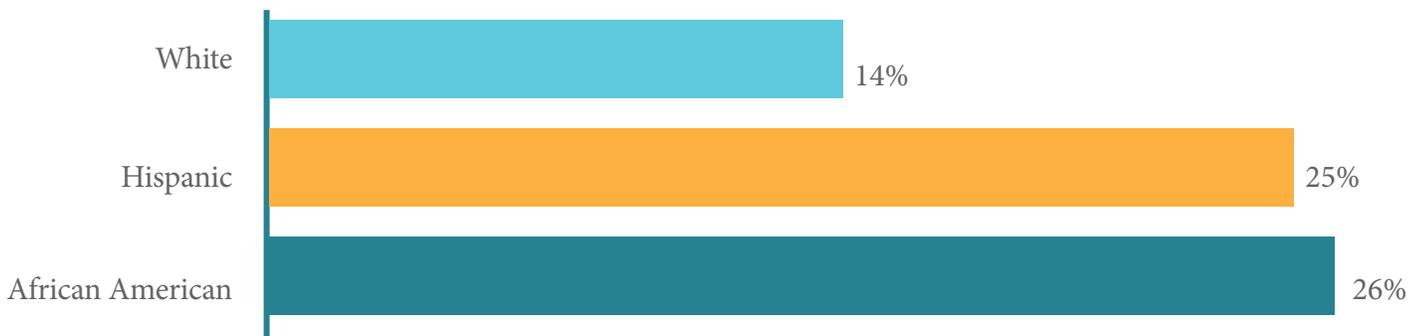
Older African Americans also report poorer health than their White counterparts, which may be a primary reason for early retirement. In 2005, 26 percent of African Americans age 50-64 reported fair or poor health compared to 14 percent of Whites. While these numbers have declined over the years, other health indicators have worsened. The prevalence of diabetes, for example, has increased among African Americans age 50-64 while it has declined among Whites.¹⁶ These health disparities are likely a significant contributor to African Americans retiring early. Among people of all races, 35 percent of those age 55-59 cite poor health as a very important reason for retiring.¹⁷

FIGURE 3: Average Duration of Unemployment in Weeks, 2013



Source: Bureau of Labor Statistics, US Department of Labor. Table 31: Unemployed person by age, sex, race, Hispanic or Latino ethnicity, marital status, and duration of employment.

FIGURE 4: Percent of People Age 50-64 Reporting Health Status as Fair or Poor, by Race and Ethnicity



Source: National Center for Health Statistics (2006)

The SSDI System Imposes a Significant Barrier to Disability Benefits

Proponents of raising the retirement age suggest that disabled workers should apply for Social Security Disability Insurance (SSDI) to supplement their income until they reach the normal retirement age, while those who are not disabled should continue working.¹⁸ However, applying for disability can be a trying and complicated process.

Some individuals who develop work-related disabilities are unlikely to qualify for SSDI, partially due to a strict definition of disability, which excludes people with short-term or partial disabilities.¹⁹ Since African Americans are more likely to be disabled compared to

the general U.S. population (14.4 percent vs 12.6 percent), they are more likely to be impacted by SSDI application denials.²⁰

Even those who do qualify for SSDI encounter hurdles to receiving benefits, as the application process for the program is complex and lengthy. Most applicants go through up to four levels of an appeals process. In 2011, only 40 percent of applicants qualified for SSDI. Studies also show that African American applicants are more likely to be denied SSDI benefits, particularly during the judicial review stage of the application process.²¹ Given these barriers, African American seniors who are

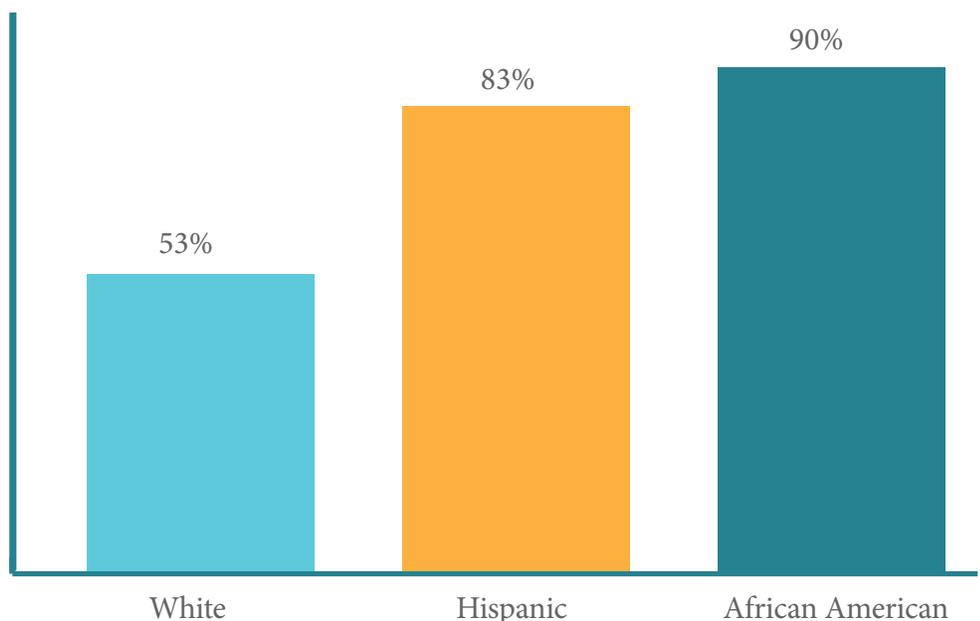
exiting the workforce early may spend several years without a secure source of income. Raising the retirement age would only increase the number of years these vulnerable seniors have to wait before receiving benefits.

Despite these challenges, SSDI is an important program that helps individuals who are disabled and unable to work. Recently, however, some groups have labeled the program as inefficient and costly, and have advocated for a complete overhaul of the program. SSDI should be strengthened by making the application process easier and making eligibility requirements more flexible.

African American Retirees Face Economic Insecurity

Instead of cutting benefits by increasing the retirement age, we should focus on expanding Social Security benefits to better meet the needs of vulnerable Americans. A significant racial gap in wealth and income security hurts African American retirees. Eighty-three percent of African American seniors lack the retirement resources they need to last the remainder of their lifetimes.²² African Americans have lower levels of income, employment, educational attainment, and ownership of assets such as homes, stocks, bonds, savings accounts, and businesses. This disparity diminishes opportunities for African Americans to be financially secure upon retirement.

FIGURE 5: Lack of Retirement Resources to Last Through Expected Life Span, by Race and Ethnicity



Source: The Crisis of Economic Insecurity for African-American and Latino Seniors. Figure 3: Housing, Budget and Retirement Asset Insecurity by Race and Ethnicity, 2008

Closing Social Security's Solvency Gap Can Be Done Without Raising the Retirement Age

Proposals that support raising the retirement age arise because of Social Security's looming insolvency problems. The Social Security funding gap is certainly a problem and should be addressed, but can be done without harming communities of color. A report by the Commission to Modernize Social Security, *Plan for a New Future: The Impact of Social Security Reform on People of Color*, outlines a number of reform proposals that, if implemented together, would close the solvency gap.

These Social Security policy solutions include:

- Eliminating the cap on payroll contributions. In 2015, the maximum taxable earnings are \$118,500.²³
- Including all state and local government workers in Social Security.
- Gradually increasing the payroll tax by one percent over 20 years.

Conclusion

Increasing the retirement age would hurt older African Americans, who are more economically vulnerable in old age than are other racial groups. Most agree that action needs to be taken to guarantee Social Security's solvency, particularly because so many depend on this program. Other proposals, such as lifting the

cap and gradually increasing the payroll tax by a penny over a twenty-year period, could accomplish the same goal. However, raising the retirement age cuts benefits and harms African Americans and other vulnerable populations, and should not be implemented.

For more information on policy proposals that can help guarantee Social Security's solvency, please refer to "Plan for a New Future: The Impact of Social Security Reform on People of Color" at GlobalPolicySolutions.org.

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