

*For Immediate Release*

Wednesday, January 18, 2006

Michelle Bazie Contact

202-408-1080, bazie@cbpp.org

820 First Street, NE  
Suite 510  
Washington, DC 20002

Tel: 202-408-1080  
Fax: 202-408-1056

center@cbpp.org  
www.cbpp.org

---

Robert Greenstein  
Executive Director

Iris J. Lav  
Deputy Director

---

**Board of Directors**

David de Ferranti, Chair  
*The World Bank*

John R. Kramer, Vice Chair  
*Tulane Law School*

Henry J. Aaron  
*Brookings Institution*

Ken Apfel  
*University of Texas*

Barbara B. Blum  
*Columbia University*

Marian Wright Edelman  
*Children's Defense Fund*

James O. Gibson  
*Center for the Study of Social Policy*

Beatrix Hamburg, M.D.  
*Cornell Medical College*

Frank Mankiewicz  
*Hill and Knowlton*

Richard P. Nathan  
*Nelson A Rockefeller Institute of Government*

Marion Pines  
*Johns Hopkins University*

Sol Price  
*Chairman, The Price Company (Retired)*

Robert D. Reischauer  
*Urban Institute*

Audrey Rowe  
*AR Consulting*

Susan Sechler  
*German Marshall Fund*

Juan Sepulveda, Jr.  
*The Common Experience/ San Antonio*

William Julius Wilson  
*Harvard University*

## SOCIAL SECURITY IS A GOOD DEAL FOR AFRICAN AMERICANS, REPORT FINDS

### Privatization Carries Special Risks for African Americans

African Americans receive modestly more in Social Security benefits for each dollar they pay in payroll taxes than whites do, explains a new report from the Washington, D.C.-based Center on Budget and Policy Priorities. The report is based on a wide range of studies conducted by government agencies and leading academic researchers.

The report also finds that replacing part of Social Security with private accounts would create greater risks for African Americans than for whites. President Bush (who announced his private-accounts plan last January) and some in Congress have vowed to continue pushing for private accounts, despite the failure of such efforts in 2005.

“African Americans have only about a third as much money in pension and retirement savings as whites do, on average, so they rely on Social Security for a larger share of their income in retirement,” said William Spriggs, Chairman of the Economics Department at Howard University and the report’s co-author (along with Center Senior Fellow and NYU Visiting Scholar Jason Furman). “In addition, African Americans benefit more than other groups from some of Social Security’s key features, such as the survivors benefits it provides to the families of workers who die before retirement and the disability benefits it provides to disabled workers and their families. African Americans thus have more to lose if Social Security is partially replaced by private accounts.”

Social Security’s retirement benefits are designed to make up a larger share of pre-retirement earnings for low-income workers than for high-income workers. This helps African Americans, since their lifetime earnings tend to be lower than whites’. African Americans earn 73 percent as much as whites, on average, but their Social Security retirement benefits are about 85 percent as much as whites’.

Social Security’s disability and survivors benefits are also especially useful to African Americans, since African Americans are more likely than other workers to become disabled or die before retiring. African Americans constitute 11.5 percent of all workers who are covered by Social Security but 17.6 percent of Social Security disability beneficiaries. Similarly, African Americans constitute 15 percent of all U.S. children but 23 percent of the children receiving Social Security survivors benefits.

As a result, studies have consistently found that African Americans receive a modestly better return on their payroll tax contributions to Social Security than whites do. Private accounts, in contrast, contain none of the features that make Social Security so effective for African Americans, so replacing part of Social Security with private accounts would tend to make the program less favorable for African Americans.

“Social Security needs to be reformed to address the program’s long-term funding shortfall. But in doing that, we also need to preserve the features of Social Security that work well for African Americans,” said Spriggs.

###

The Center on Budget and Policy Priorities is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. It is supported primarily by foundation grants.

