STATEMENT OF MAYA ROCKEYMOORE CUMMINGS

BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SOCIAL SECURITY SUBCOMMITTEE

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Protecting and Improving Social Security:
Enhancing Social Security to Build a Diverse and Thriving Middle Class

Good morning Committee Chairman Larson, Ranking Member Reed and members of the United States Ways and Means Committee, Subcommittee on Social Security. I am delighted to speak to you today on an issue that is important to American families of all backgrounds and at every stage of life.

Mr. Chairman, I request that the entirety of my written testimony be entered into the record of the hearing.

My name is Maya Rockeymoore Cummings, I am President and CEO of Global Policy Solutions, a certified B Corporation and social change strategy firm whose mission is to drive society toward inclusion. I hold a Ph.D. in political science with a specialty in public policy and have been a practicing policy analyst and researcher for more than 20 years. A former professional staffer on the House Ways and Means Social Security Subcommittee, I currently chair the board of the National Association of Counties Financial Services Corporation and serve as the co-chair of the Commission to Modernize Social Security. I am a former board member of the National Committee to Preserve Social Security and Medicare, National Academy of Social Insurance, Economic Policy Institute, and the National Council on Aging.

SOCIAL SECURITY PREVENTS POVERTY AND HELPS BUILD A DIVERSE MIDDLE CLASS

U.S. society is structured in a manner that consistently benefits certain population groups while disadvantaging others. This societal sorting is based on social hierarchies that play out within intersecting variables such as race, ethnicity, wealth, income, gender, age, and ability and is implemented through governmental, economic, labor market, educational, social, and real estate policies and practices. As a result, the class status and economic vulnerability of discrete demographic groups--such as African American, LatinX, Native American, female, disabled, low income and/or from certain Asian American ethnic subgroups who are consistently at the bottom of the socio-economic scale over time--can still be predictably identified despite more than a half century of policies intended to mitigate the effect of social and economic bias in American life.

Without a generational economic base from which to become secure and grow, people in these groups are extremely vulnerable to the ill effects of poverty, poor health, disability, and disenfranchisement. Their vulnerability is compounded at stages of life--specifically childhood and old age--when they are least able to leverage their labor to earn income and build wealth. As a result, they are also very dependent on social protection policies and programs that seek to counter economic insecurity.

Since 1935, Social Security has been one of the United States' most effective and efficient anti-poverty programs. Originally intended to provide older adults with income after retirement, Social Security has since evolved to provide income protections for people at every stage of life including adults who have become disabled in their prime working years and the dependents of deceased workers. Dependent family members of seniors and disabled workers are also eligible to receive support.

Elements in the design of Social Security are of particular importance to vulnerable groups, including a check that retirees can receive for the rest of their lives, a progressive benefit formula geared towards providing a greater percentage of pre-retirement or pre-disability earnings to those with lower incomes, and a check that child dependents can receive through the end of their high school education or the age of 19, whichever comes first.

Although Social Security accounts for the bulk of retirement wealth for 70% of Americans, people of color are more heavily reliant on its benefits because they are least likely to have significant sources of wealth outside of Social Security upon retirement.[1] In addition to well-documented racial and ethnic disparities in income, the racial wealth gap—rooted in social discrimination—reflects disparities in receipt of private pensions, investments, savings, inheritances, and homeownership.

Given these income and wealth disparities, it is no wonder that beneficiaries of color are more reliant on Social Security than whites. Social Security is the primary source of retirement income for older people of color, with over 25% of African Americans and Latinos depending on it for more than 90% of their family income; it is the only source of income for two out of every five Latino and African American retiree beneficiary households.[2]

Women and men 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 worked in low-wage and part-time work during the course of their working years.[3] African-American women are also disadvantaged because they are the least likely to ever be married and so they are more unlikely to have experienced the advantages of living in a dual earning household.[4] Divorced women and women who have never married have the highest rates of poverty.[5] Without Social Security, more than two-thirds of unmarried elderly women would fall into poverty.[6]

The vulnerability of men of color primarily stems from their labor market disadvantages. African American, Latino, and Native American men tend to experience higher unemployment rates and lower wages over the course of their working lives when compared to white and Asian men from certain subgroups. Higher unemployment rates among men of color, especially during their teens, mean that they are more likely to have years of zero earnings that will be counted against them in the determination of Social Security benefit levels.[7] As a result, disparities in Social Security income among men of different racial and ethnic subgroups reflects these wage differentials.

Even though its benefits may not be lavish, the fact that Social Security income can keep members of vulnerable populations out of poverty is well known. Nevertheless, Social Security is more than an anti-poverty program, it is also a public asset that can help preserve and build private 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 younger workers build a pathway to the middle class by alleviating the financial burden of supporting 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.

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[1] Kijakazi, K. (2002). Low-Wage Earners: Options for Improving Their Retirement Income. In D. Salisbury, P. Larson, & P. Edeman, *The Future of Social Insurance: Incremental Action or Fundamental Reform.* Washington, DC: National Academy of Social Insurance.

[2] Leigh, W. (2011). *African Americans and Social Security: A Primer.* Washington, DC: Joint Center for Political and Economic Studies. NCLR calculation using Social Security Administration, “Income of the Population 55 or Older, 2008,” Table 9.A3.

[3] Hartmann, H., & Lee, S. (2003). Social Security: The Largest Source of Income for Both Women and Men in Retirement. In S. Lee, & L. Shaw, *Gender and Economic Security in Retirement.* Washington, DC: Institute for Women's Policy Research.

[4] 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.

[5] Institute for Women's Policy Research. (2011). *Six Key Facts on Women and Social Security.* Washington, DC: Institute for Women's Policy Research.

[6] Ibid.

[7] Spriggs, W. E. (2004, Nov/Dec). African Americans and Social Security: Why the Privatization Advocates are Wrong. *Dollars & Sense* , pp. 17-19.

Social Security's vital insurance function also helps to alleviate the financial burden of the racial wealth gap. This is because.Social Security provides protection against the risks in life that could be financially ruinous when 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,.

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.[8] 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.[9] This structure allows Social Security income to address some of the persistent effects of job discrimination and segregation, like racial income inequality.

SOCIAL SECURITY HELPS A GROWING NUMBER OF DIVERSE CHILDREN & FAMILIES*

As household incomes have stagnated or declined over the past few decades, Social Security income has become an even more important component of financial resources for families with children who receive benefits.

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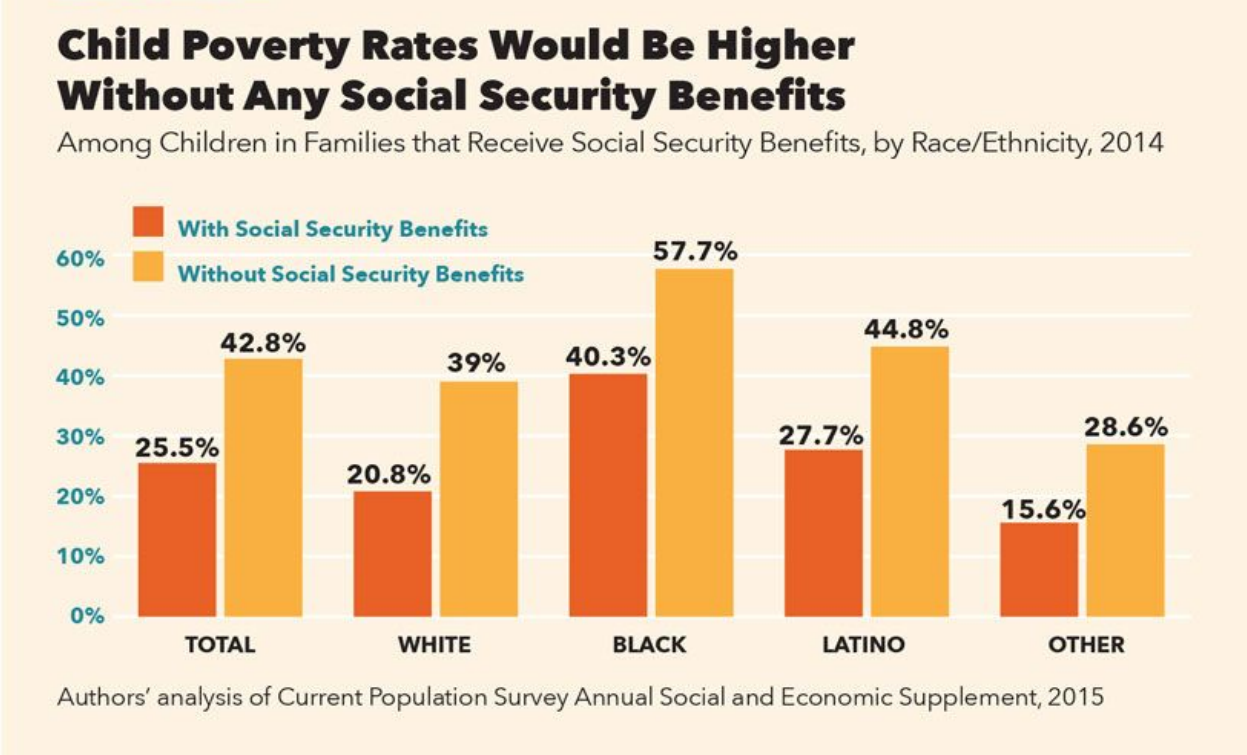
[8] National Committee to Preserve Social Security and Medicare. 2010. Social Security Primer. Washington, DC.
[9] Ibid.

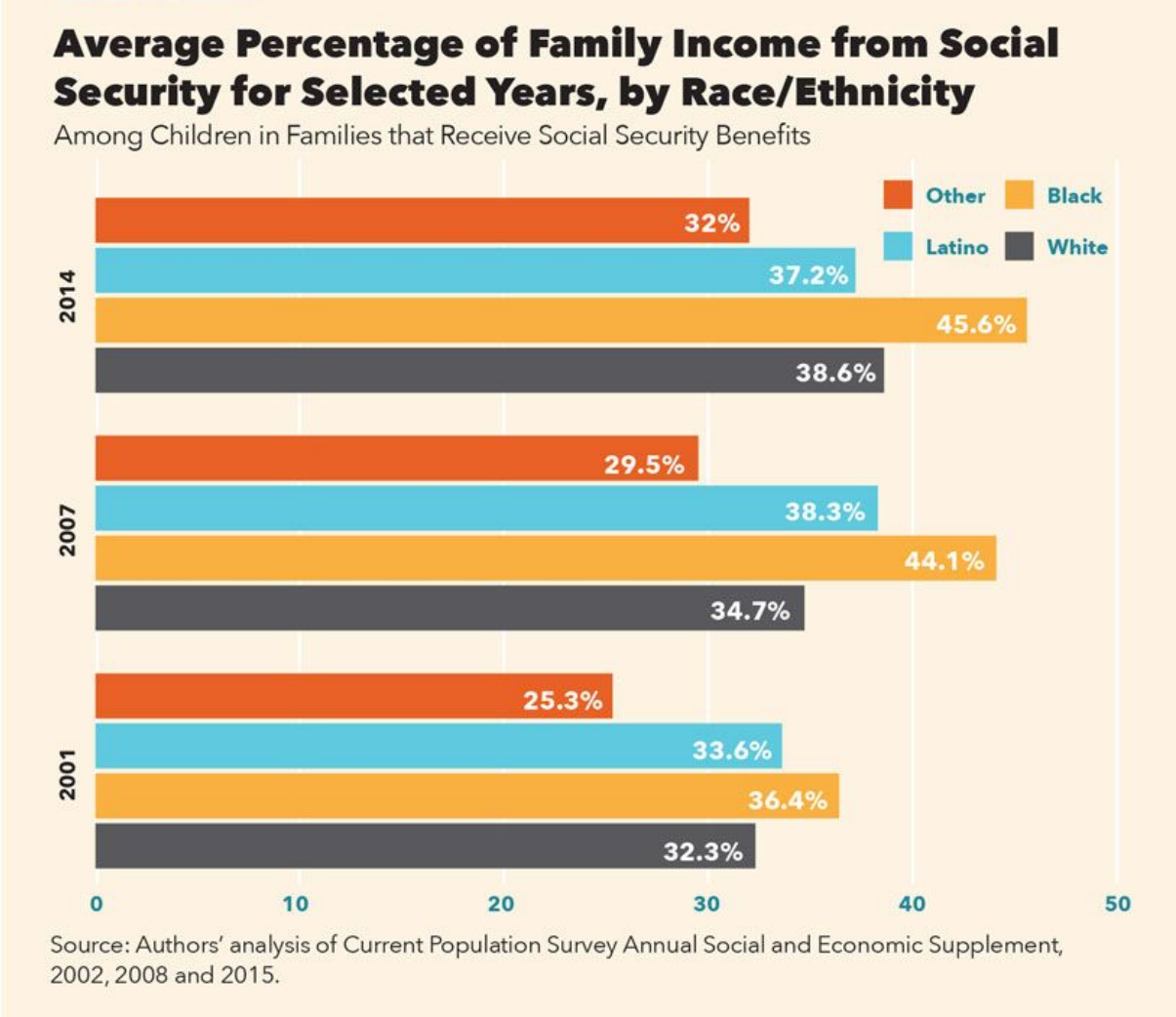
*This section is excerpted from:
Center for Global Policy Solutions. (2016). Overlooked But Not Forgotten: Social Security Lifts Millions More Children Out of Poverty. Washington, DC: Center for Global Policy Solutions. Retrieved at:
http://globalpolicysolutions.org/report/overlooked-not-forgotten-social-security-lifts-millions-children-poverty/#_edn30



As the figure above demonstrates, Social Security shields a large share of children from poverty. Without Social Security benefits for these families, people would fall further behind. The official poverty rate for child beneficiaries across all racial and ethnic groups would increase by about 17 percentage points without Social Security benefits, bringing the total poverty rate to an alarming 43 percent. For African American child beneficiaries, the poverty rate would increase to nearly 58 percent without Social Security benefits. For Latino child beneficiaries, the poverty rate would increase to nearly 45 percent without Social Security benefits—a rise of more than 17 percentage points.

For groups with lower poverty rates, like White and "Other" child beneficiaries, poverty rates would nearly double if income from Social Security were denied.

In 2014, Social Security contributed nearly two-fifths (39 percent) of the annual income for White families. For families of color, the contribution was even higher: Almost half the income (45.6 percent) of African American families with children came from their Social Security benefits. Social Security benefits as a share of total income for African American households with child beneficiaries has grown by 9.2 percentage points since 2001, the highest growth among all racial groups.

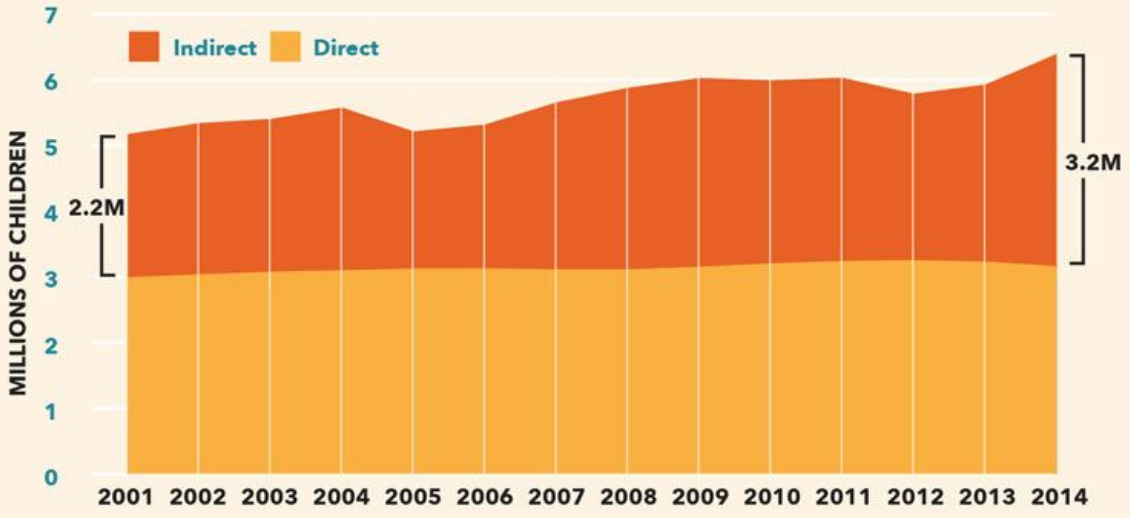


The significant growth in the percentage of household income from Social Security for African American families between 2001 and 2014 is concurrent with a drop in real (inflation-adjusted) median income for all African American families—from $39,000 in 2001 to $34,000 in 2014, the largest decline in income for any racial groups.

Further, the poverty rate for Black children *with* Social Security benefits (40.3 percent) is slightly higher than the poverty rate for White children *without* Social Security benefits (39.0 percent) [See Figure 2]. Therefore, while Social Security kept a greater percentage of White families from poverty, the same income provides much greater support in the African American family—demonstrating the necessity of such a program for all families, especially families of color.

FIGURE 6.

Number of Children Who Benefit Directly and Indirectly From Social Security, 2001-2014



Source: Authors' analysis of Current Population Survey Annual Social and Economic Supplement, 2002-2015 and the 2002-2015 Annual Statistical Supplements of the Social Security Administration

As the figure above demonstrates, the number of children who directly benefit from Social Security has remained relatively stable over the period at approximately 3 million children. However, by disaggregating the data on direct beneficiaries of Social Security, we gain a larger understanding about how these benefits impact various households.

White families have seen no significant shift in the annual growth rate of direct beneficiaries of Social Security, but households that identify as African American, Latino, or "Other" have all experienced modest growth in direct beneficiaries since the turn of the millennium. Between 2001 and 2014, the number of African American children who directly benefit from Social Security has grown by 1.2 percent annually, the number of Latino children who benefit has grown by 2.4 percent annually, and the number of children of other backgrounds who benefit has grown by 2.7 percent annually. This indicates that even though White children still represent the largest number of direct and indirect child beneficiaries of Social Security, the number of children of color who are direct beneficiaries of Social Security is on the rise.

Overall, it is quite clear across all racial and ethnic groups that the increase in Social Security's reach over the past 14 years is largely due to the rising number of children living in extended family households that receive benefits.

The number of indirect beneficiaries in Latino households has grown by 4.2 percent annually between 2001 and 2014, indicating the importance of Social Security income for Latino families. This growth means that more than 250,000 additional Latino children received Social Security

benefits indirectly in 2014 than in 2001, bringing the total increase in direct and indirect Latino child beneficiaries to almost 400,000 children during this period.

The numbers are even more dramatic for children of families that identify as a race other than White, Black or Latino—for example, for Asian American families. These households have seen an indirect growth in child beneficiaries of 12.7 percent annually, the highest among every racial group surveyed. The number of beneficiaries within this group jumped from just 116,000 in 2001 to 428,000 in 2014. This means that children who identify as "Other" within the survey had the highest annual growth rate of both direct and indirect beneficiaries (6.3 percent) of any racial group. Their total beneficiaries grew by over 350,000—more than the growth in African American child beneficiaries and comparable to the increase in number of White and Latino child beneficiaries.

By comparison, the African American and White annual growth rates for indirect child beneficiaries were almost identical, 2.8 and 2.9 percent, respectively. As a result, the number of African American and White children benefiting indirectly from Social Security is growing at a significantly slower pace than that of both Latino and "Other" children. Moreover, the number of children who benefit indirectly and identify as "Other" has grown at four times the annual rate of those who identify as either African American or White (e.g. 12.7 percent vs. 2.8 percent).

The substantial rise in indirect child beneficiaries from Latino and "Other" households is concurrent with the growth of these populations in the United States.[10] Therefore, as we consider the solvency of Social Security for the coming generations, we must take into account the millions of children for whom this program is essential.

SOCIAL SECURITY SHOULD BE STRENGTHENED AND EXPANDED

Instead of reducing benefits through proposals like raising the retirement age--which would disproportionately hurt groups with lower life expectancies, such as African Americans, Social Security benefits should be expanded to meet twenty first century needs.

While new features such as pegging benefits to a revised Consumer Price Index based on costs incurred by the elderly and increasing benefit levels across the board and for the very old are all good ways to enhance the system, there are other proposals to strengthen Social Security that focus on how to extend or restore benefits to new population groups who are economically vulnerable without the program's coverage. Prominent proposals within this category of expansion include:

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[10] Brown, A. (2014, February). The U.S. Hispanic population has increased six-fold since 1970 (Fact-Tank: News in the Numbers). Pew Research Center.

- Restoring the student benefit. Currently, children with a disabled or deceased parent are eligible to receive Social Security benefits up to the age of 18 or 19 if still in high school. Prior to 1981, when the program was ended, these young people were able to keep receiving benefits up until the age of 22 as long as they were enrolled in college, vocational school or high school. Research shows that the additional years of income helped many low-income students receive a college education. Studies show that a college degree tends to enhance earnings over a lifetime, which, in turn, strengthens Social Security benefits upon retirement. Restoring the student benefit could have a directly positive benefit on financial outcomes for future retirees.
- Extending benefits to caregivers. Caregivers, who are disproportionately women, are disadvantaged by the Social Security benefit formula when they are forced to work part-time or take time out of the formal economy to care for dependent children or relatives. These years of part time work or formal unemployment reduce the benefits of caregivers upon retirement and, for women especially who also experience lifetime pay disparities and live longer than men, make them especially vulnerable to poverty. Proposals to strengthen Social Security for caregivers include establishing a family service credit, for up to five total service years, with imputed earnings equal to one half of that year's average annual wage.
- Covering immigrant workers. Undocumented immigrants working in the U.S. are currently not eligible to receive Social Security benefits even though many contribute to its trust funds and experts widely acknowledge that comprehensive immigration reform could improve the program's actuarial balance over time. Lack of Social Security or private pension coverage, combined with a lifetime of low-wage work, increases the extreme financially vulnerable of immigrant workers as they age. Expanding the number of legal immigrants through comprehensive immigration reform would not only provide a pathway for immigrants to access Social Security benefits, it would strengthen Social Security's financing mechanism by improving the worker to retiree ratio.