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EARLY SOCIAL SECURITY RETIREMENT FOR MINORITIES
DEMOGRAPHIC AND PHILOSOPHICAL FALLACIES

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ABSTRACT

This article examines some of the problems and proposed solutions associated with the retirement of minority members, particularly early retirement within the Social Security System.

We also discuss the failure of the Reagan administration's 1981 attempts to change social security benefits.

Introduction

Among the many problems that the aged face upon retirement is a sharp reduction in income. Since the primary income source for most of the aged is Social Security, this problem is exacerbated for the aged poor, and especially for the minority group members among them. During their work/income-producing years, the poor have held lower-paying or non-pension jobs. Upon retirement they receive less in the way of cash payments than the general public. Since they earned less during their working years, had larger families, and were forced to spend more of their incomes for goods and services, they were less able to accumulate savings for their retirement years. Because of the kinds of work available to them, they were limited in joining and receiving benefits from private pension and tax-sheltered retirement plans.

Some critics claim that with a life expectancy seven years less than the general population, the non-white aged poor lose two ways (Gilfix, 1977). They cannot earn enough to draw larger Social Security payments and they die sooner. Additionally, Social Security tax is based upon wages earned. No allowances are made for the number of dependents or other usually allowable tax deductions. Thus, the Social Security tax falls most heavily upon those least able to afford it, since it takes a larger portion of their income than it does from those able to evade this form of taxation. Another problem is that the kinds of work the minority/poor engaged in were largely not covered by Social Security (i.e., farm work or domestic help, sometimes as illegal aliens). It will be some time before these people will

be able to secure enough "good years" to be eligible for substantial increases in coverage.

In spite of efforts made to correct inequities in Social Security benefits, there remains a significant lag behind whites in the amounts that poor blacks and other minority/poor will be able to draw from the system for some time to come. Among workers newly entitled to Social Security benefits, two-thirds of the black men and nearly 90% of the black women were concentrated in the lowest economic category and received no second pensions (Thompson, 1974; Rubin, 1974). Adding the inability of minority/poor children to contribute to the financial support of their elderly parents because of their own low income and need to provide for larger families, the problem is again exacerbated.

Under a private pension system, although the individual has to die before survivors are eligible to draw from it, arrangements are made to inherit pension monies and other savings. Under the Social Security System, the early mortalities' families lose all contributions except for a small burial allowance. There are other payments available to survivors, but these are also affected by prior working time and income. Minority families are less likely to receive a private pension. Private pension plans are the most regressive of all social welfare measures because of their links to employment stability, seniority, and upper-echelon personnel positions.

The Issue of Life Expectancy

An even more serious complaint, if it were true, is that minorities are being discriminated against not only in living but in dying. The contention is that minorities age and die sooner than whites and, therefore, receive benefits for a shorter period of time, if at all. Michael Gilfix (1977:137) argues that:

An Anglo of 60 may have a life expectancy and support needs of a black who is 52 or an Indian person who is 40. Age averaging - the race-blind process of addition and division - has convinced our social planners that "most" Americans live past age 65. They are convinced that in any event, most elders will benefit from aging programs with an eligibility age of 60, such as the Older Americans Act. They overlook the fact that material differences exist in life spans between the major races.

The solution that Gilfix suggests to this inequity is to allow minorities to retire early because of "relative aging." He states (1977:137):

Pursuant to this concept, for example, blacks would be eligible for income and support for elders at age 55. Spanish-speaking persons might be eligible for them at age 52 and Indian people at age 40. Each eligibility age would be determined by a combination of factors to include average life expectancy and availability of alternative services.

While it is true that at birth these minorities do have a lesser life expectancy, the real problem is in living long enough to retire. Once minority members reach retirement age their chances of living as long as their white birth cohorts are good (See Table 1). A study of life expectancy in California for the years 1969-1971 revealed that at age 65 Spanish surname and black men have greater life expectancies than anglo men; at age 65 black and anglo women have equal life expectancies and that of Spanish surname women is only .3 of a year less. Other nationwide studies have also shown little or no life expectancy disadvantages for blacks who reach age 65 (U.S. Department of Health, Education and Welfare, 1974). The fallacy that critics of the uniform retirement age make is to confuse differences in life expectancy at birth with differences at older ages. The differences at birth are substantial because of substantial differences in infant mortality. After infancy the mortality rates become progressively more similar.

TABLE 1
Life Expectancy, by Sex and Ethnicity, California, 1967-71

GROUP	<u>Expectancy of Life at Age</u>			
	0	15	40	65
<u>Males</u>				
Spanish surnamed	68.3	55.4	33.4	14.4
Anglo	68.7	55.5	32.5	13.6
Black	63.5	51.3	30.5	14.5
<u>Females</u>				
Spanish surnamed	75.2	62.1	38.3	17.4
Anglo	76.0	62.4	38.6	17.7
Black	71.5	58.9	36.3	17.7

Source: Robert Schoen and Verne E. Nelsen, "Mortality by Cause Among Spanish Surnamed Californians, 1969-71," *Social Science Quarterly*, 62 (2), 1981: 259-274.

We have noted several real or imagined shortcomings of the Social Security System, however, many criticisms of Social Security ignore the philosophy which, for better or worse, is behind the program's design. Before considering remedies for the Social Security System's ills, let us examine this philosophy.

Philosophy of the Social Security System

From its very onset, Social Security was never designed to meet all income needs of the aged¹. Its philosophy was to try to avoid the need for the stigma of a "means test." It was not meant to be equitable or, despite the word "insurance," intended to be financially sound in the sense of a client's premiums covering the costs of payments to the client and his or her family (Schlesinger, 1958). The state of the nation's economy has repeatedly been an important factor, it influenced the form in which the Social Security Act was passed and has affected the manner in which it has been administered (Perkins, 1964).

More importantly, because the law was passed at a time when the country's economy was going through one of its sharpest slumps, the program aimed toward pushing people out of the labor market. So, earned income was discouraged. On the other hand, the politics surrounding Social Security have repeatedly surfaced. From the very beginning, conservative forces wished to keep the workers' contributions at a low level to reduce employers' matching contributions.

In our society, poverty and incapacity for self-support are always stigmatized and carry with them status loss. One of the reasons that Social Security has been a "sacred cow" almost beyond criticism is that it has been associated with work. While you worked, you "payed into" the fund. When you reached the "golden years" you could, as a matter of right, draw from the pot. Not even attempts by the Federal Government to bar a well-known Communist from receiving his Social Security payments were supported by the Federal Courts (this during the heyday of McCarthyism).

On the other hand, attempts to enforce in court the "right" to poor relief or welfare have not always been successful. This is evident in the U.S. Supreme Court ruling against the "right" of the poor to force the states to pay for abortions: logic would dictate that an unwanted child would result in a greater cost to the state than an abortion, especially adding the long-run social and economic costs.

Looking behind the stated reasons why large sectors of the public express disapproval of the welfare system is interesting. For example, very few people are angry at programs for the blind since everyone can sympathize with them and it affects all sectors of our society. When considering General Assistance or AFDC (Aid to Families with Dependent Children) programs, however, the reverse is true. Who could have predicted that the struggle for widows' pensions or the recommendations of the 1919 White House Conference on Child Welfare would eventually result in such a universally acceptable goal falling from grace to disgrace? As programs moved more and more to serve the poor, the less they were seen as serving the needs of all.

Minimum income plans proposed by conservative President Nixon to eliminate the incredible welfare mess were rejected. The Senate refused to consider any program which ignored the work ethic, no matter how well it was disguised or who proposed it. When those states and cities that tried to humanely deal with these and other welfare problems came close to going bankrupt, their plight was attributed

to either welfare fraud or governmental mismanagement. The reality---that some parts of the nation exported their surplus populations to other states and cities---was ignored. New York, Pennsylvania, and Massachusetts are now paying for the failure of many southern states and Puerto Rico to properly educate and prepare their populations for responsible entry into a highly technological society.

We must never underestimate man's capacity to distort reality to suit his own self-interest. Any plan to correct inequity or unfairness in the Social Security System must consider not only the historical context, but also the value laden aspects of the problem: "Work is good. Not to work is bad." These are the views which obstruct changing the Social Security System. Retirement benefits were to be earned as a right, not to be given in response to need. It was designed with built-in inequities. Social Security is now openly called a tax rather than a contribution.

The Social Security System and the Reagan Administration

It is apparent that the Reagan Administration's attitude toward welfare and Social Security is rooted in a conservative philosophy. Services for those who are not "truly needy" are to be eliminated. Even services for poor children, the elderly poor and the working poor are to be curtailed wherever possible. When cuts in social services result in the poor being hurt, volunteerism is supposed to step in and ease the pain.

However, in spite of the relative ease with which Reagan was able to push through sharp cuts in social services budgets (National Association of Social Workers News, 1981), he encountered considerable difficulties in trying to reduce the Social Security program. In the first major cuts from the Carter budget, the Reagan forces in Congress succeeded in eliminating the minimum monthly payments of \$122.00. However, under pressure from the senior citizen's lobby the Reagan administration asked for the restoration of these minimum payments (Associated Press, 1981a). Subsequent attempts to raise the age of retirement were defeated in the House Ways and Means Committee (Associated Press, 1981b).

There appear to be two reasons why the Reagan administration has succeeded in cutting the budget of social service programs in general, but not the Social Security System budget. First, although many social service programs are regarded by the public as wasteful and fraud ridden, the Social Security System benefits are regarded as a right the participants have bought through the "contributions" deducted from their paychecks. Second, although blacks and other minority groups with high poverty and unemployment rates are overwhelmingly Democrats and can be ignored by Republicans, the elderly are an essential cornerstone in the Reagan power base (Germond and Witcover, 1981). It seems unlikely, therefore, that the Reagan administration will successfully spearhead legislation which greatly reduces services provided by the Social Security System. A more probable scenario is that the Reagan Administration will "reluctantly" accept increases in the rate of social security withholdings so that the system does not become bankrupt. The Democrats are more likely to propose using general tax revenues.

Potential Changes in the Social Security System

While large numbers of the minority/poor are destined to draw less income from the Social Security Program for previously stated reasons, with increased movement to urbanized areas (blacks are among the most highly urbanized population groups in the country), their incomes are increasing and their jobs are coming more under the coverage of Social Security and private pension plans. This, coupled with the converging life expectancy among all ethnic groups, should eventually serve to markedly reduce the present inequities in the Social Security System.

To ask the country as a whole to address itself to a problem of inequity is to open a Pandora's box which, at this time, might just as well be left closed. The Social Security tax is one of the most regressive forms of taxation. It allows no one except the very rich to escape it. Recent publicity about the dangers of the entire system going bankrupt and the subsequent need for sharp increases over the next few years have made this a very sensitive issue with a larger and larger portion of the population.

There is no doubt that those who formulate social policy need to address themselves to the question of equity and the needs of the aged poor. Any major changes in social policy, however, have to consider not only the recipient, but also who will pay for redistribution. The decision can be based upon political pressure or through demonstrating that the needs of a large group are not being met. Those groups that can exert the most political pressure and make themselves heard above the "roar" of the rest will be responded to. The decision to allocate resources can often be based upon compassion or popularity of the cause. Minorities have been "in." Aged are now also "in." Combining both groups, you would appear to have a winner. The latent consequences, however, may be more than bargained for, particularly when society as a whole is being told it can no longer continue to perceive of itself as ever-expanding, with an unlimited capacity to create and deliver more and more goods and services. It may very well serve to bring together a majority who see themselves threatened by unreasonable demands from a special group.

Wilber Cohen argued:

that in the United States, a program that deals only with the poor will end up being a poor program. There is every evidence that this is true. Ever since the Elizabethan Poor Law of 1601, programs only for the poor have been lousy, no good, poor programs. And, a program that is only for the poor---one that has nothing in it for the middle income and upper income groups---is, in the long run, a program the American public won't support (Cohen and Friedman, 1972).

Changes in social policy that ignore or run counter to the central values and beliefs of society, no matter how rational the solution, can have unforeseen consequences possibly more harmful than the original problem. Most certainly, asking for major changes in the Social Security law to rectify a relatively small

differences in life expectancy at age 65 would not be well received at a time when the Social Security tax has been increased and the public has been told repeatedly that the entire system may be bankrupt.

To ask, at this time, that one group be allowed to withdraw from the work force at an earlier age when, within the foreseeable future, the total contributing number remaining will diminish, invites a great deal of resentment. Appearing to be pushing to the head of the line invites hostility from those who have been sensitized by higher rates of forced contributions and the danger of the system going bankrupt.

Conclusions

The resolution of this problem now becomes the question. Shall we allow certain groups of people to retire at age 55? An examination of life expectancy tables show that once the minority members arrive at age 55, their life expectancy is close to their white cohorts. This solution also does not meet the real income needs of minority/poor aged, as their pension rates would still be lower due to lower prior contributions. The aged minority members would be forced to stop working to receive their full benefits, and the plan would again not eliminate or meet their need for supplemental income. Should this group be singled out and provided with special supplemental income on the basis of need? What about the needs of the non-minority aged poor? This would bring the problem back to the question of a "means test." It would be ironic if some members of the working poor escaped the welfare stigma all their lives, only to be caught up in it in their old age when their self-concept has begun to decline for other reasons. We suspect many would shun this form of help, as many elderly now do.

Another problem is how to bring about a change in ideology so as to be able to bring about a change in the Social Security System. This may be more difficult than changing tax laws and bringing about changes in income redistribution through other programs.

Shall we tax minorities at a lower rate during their working years? How would this be received by others who are paying full rate and see their payments increasing? Should income received while on welfare be credited? This could backfire. It still would not address itself to parts of the real problem. In order to increase retirement payments, greater amounts (in the form of contributions) have to be made during the working life of the minority/poor. The solution seems to be better paying jobs, more access to jobs with private pension plans and greater income so "savings" can be accumulated for retirement. Perhaps another ideologically acceptable alternative would be to allow low income persons to deduct from their income tax an amount equal to what they place in a private retirement plan. This would be different from present Keogh plans which deduct money from gross income, in that the deduction would be from actual taxes due. These solutions, however, do not address themselves to the time lag during which the minority/poor would still suffer from their years of unemployment, underemployment, low salaries and failure to be eligible for private pension plans.

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