

# Poverty & Race

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## Children Get Social Security, Too

by William E. Spriggs

In 2002, some 3.1 million children 18 and under were getting Social Security benefits (roughly one in twelve of all Social Security beneficiaries)—a number virtually equal to the 3.8 million children getting TANF benefits that year. One in sixteen African American children receive a Social Security benefit. That makes Social Security very important to child advocates. And so, changes in the Social Security system could have a drastic impact on children, and disproportionately on children in minority families.

When Social Security came into being in 1935, it originally emphasized individual workers and focused on retirement. But the Act was amended in 1939, changing the program from insuring that individual workers got back money they had paid in payroll taxes, to protecting the worker's family. Widows and other of the worker's dependents became beneficiaries. The basis for calculating benefits was shifted from lifetime earnings to replacing a worker's average monthly earnings. In this way, the family's lifestyle was protected from the loss of a wage earner.

### The Risk of Dying/ Becoming Disabled

Today, the typical 20-year-old faces a 3-in-10 risk of becoming disabled before reaching retirement, and an al-

most 2-in-10 risk of dying before reaching retirement. While Social Security Administration actuaries do not report those data by race (only by gender), it is known that the odds of becoming disabled or dying younger are higher for African Americans, who make up 11.5% of workers paying into the system but constitute 13.2% of

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**The program is really about family security – young and old.**

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those getting survivors' benefits and 17.8% of those getting disability benefits. These actuaries also estimate that, for the average worker who becomes disabled, the disability insurance is equivalent to a \$353,000 disability policy; and for the worker who dies young, the survivors' benefits are equivalent to a \$403,000 life insurance policy. When signing the Social Security legislation in August 1935, President Franklin Roosevelt reflected: "We can never insure one hundred percent of the population against one hundred percent of the hazards and vicissitudes of life, but we have tried to frame a law which will give some measure of protection to the average citizen and to his family."

So, far from Social Security being a fight of the young versus the old, the program is really about family security — young and old. Today, about

the same share (46%) of children get survivor benefits, through the loss of a working parent, as receive benefits because their parent is a disabled worker. Another 7% get benefits because their adult guardian (parent or grandparent) is getting retirement benefits. As dependents of a working adult, children get a check designated for them. The average family of widowed parent with children got an average monthly check of \$1,614 in 2002, and in families where only the children were dependent survivors (for instance, if the wife remarried) the average check was \$785 a month. In 2002, for families of disabled workers, the typical benefit for the worker

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with spouse and children was about \$1,280 a month, and for a disabled parent with children the average monthly benefit was about \$1,130 a month.

The National Urban League Institute for Opportunity and Equality estimates that Social Security benefits lift one million children out of poverty each year, and that another one million are spared the depths of extreme poverty (falling below half the poverty line). African American children make up 20% of children getting benefits, and Valerie Rawlston of the University of North Carolina estimates that, coupled with their low income from other sources, Social Security lifts four times more African American than white children out of poverty.

## Privatization's Impact on Children

So how might changes in the program affect children? When American workers pay their FICA (Federal Insurance Contribution Act) tax each paycheck, they are buying insurance for their immediate family members to protect those dependents from crushed lifestyles because of the loss of income if the worker becomes disabled, dies early leaving children be-

hind, or becomes too old to work full-time. The program's benefit, based on the primary insurance amount, uses the same formula to calculate benefits across the risks of disability, death and old age. So, the family receives the same benefit regardless of why they are filing a claim. That means that efforts to reduce benefits can easily lead to cuts for children. For instance, Plan II of the President's Commission to Strengthen Social Security recommended changing the primary insurance amount formula to set benefits to reflect a fixed lifestyle — this is called "price indexing." Currently, benefits are set to replace a share of a workers' typical earnings, with low-wage

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**For the worker who dies young, the survivors' benefits are equivalent to a \$403,000 life insurance policy.**

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workers having a higher share replaced than high-wage workers — this is called "wage indexing." Because wages have risen faster than prices, our real living standards have gone up over time. The Congressional Research Service estimated that if price indexing of benefits began with the first monthly checks mailed in 1940, then today's benefits based on a 1940s lifestyle would result in a cut of 60%.

The second key issue is that the program operates as a family insurance policy, where the family is defined as a spouse (or divorced spouse) and children, plus dependent parents. Each member of the family is given a specific claim amount, so long as he or she is economically dependent on the primary worker.

Eligibility for survivors' benefits is made relatively easy for young workers, so about 98% of children under age 18 would get a benefit if one of their working parents died. Biological and adopted children are automatically covered. In most cases, a stepchild would be covered, and children who have other legal guardians — such as grandparents — would also be covered.

President Bush has suggested that workers would be free to designate beneficiaries. This suggests that the private accounts will act more like Individual Retirement Accounts that are governed by state law property rights than like 401(k) plans, which are governed by federal pension laws. In either case, the rights of children are normally subsumed secondary to that of the surviving spouse. Both state and federal pension law are less clear with regard to a divorced spouse, and with regard to children spread across different parents. Thus, it is unclear under what conditions children would receive a benefit.

Even less clear are the rights of children who become disabled before age 22. Those children are beneficiaries of their parents' work efforts as adults, designated as adult disabled children. In 2002, roughly 748,000 adult disabled children received benefits. Under private accounts, the fate of these beneficiaries is totally unclear.

Further, under the Bush plan, the private accounts are a loan against the worker's retirement benefit, which must be paid out of the Social Security retirement benefit with interest, calculated at 3% above inflation — last year, 6.2% interest. It is unclear whether the loan would have to be repaid out of survivor or disability benefits. It is also unclear how those benefits would be distributed. President Bush requires retirees to buy an annuity to insure that, coupled with their traditional Social Security benefits, they would not drop below the poverty level. Valerie Rawlston showed that the typical account of a survivor could only absorb a very small cut in the traditional Social Security benefit level. And, given the short horizon over which the portfolio of a worker who dies or becomes disabled would have to accumulate, there is a very real risk that the market could be in a downturn, with money then lost. This risk is not avoided, even if the parent chose the President's proposed safe investment of a life-cycle fund that would slowly shift out of risky stock investments and toward more stable bonds

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# Witt Internship Report

*Each year PRRAC makes an Edith Witt Internship award (see box, p. 8). Last year's award went to The Gustavus Myers Center for the Study of Bigotry and Human Rights in America (housed at Simmons College in Boston) and their intern, Amanda Haas. The following is their report on the work carried out under this grant, from Dr. Loretta Williams, Director of the Center (lorewill@myerscenter.org):*

I am pleased to report on, and thank you for, the 2004 Edith Witt Internship Grant awarded to Amanda Haas. The funds enabled several accomplishments. Among them:

- Amanda and I developed and jointly delivered a participatory workshop, with follow-up action options, for and with the Suffolk University student organization. The initiating request was for help in dismantling sexism in operation. As we probed deeper, it was clear that issues of gender, race and class were intertwined. The handouts and exercises we delivered addressed the intersections, and engaged the students in next step planning. Amanda was particularly interested in the differences between the Suffolk working-class student culture and that of more white middle-class Simmons. This provided on-going opportunities to explore further how the dynamics played out in the two settings. Amanda proved that she was adept in steering attention to, and through, potential minefields.

- The Who Is An American? Series - Negotiating the Dynamics of Difference drew overflowing audiences from the University and Greater Boston area. We were very pleased with the progressive nature of the dialogues created by speakers Leo Chavez, Vijay Prashad, Philip Rubio and Farai Chideya. Amanda carried major responsibility for outreach and promotion. The Myers Center co-sponsored each speaker with a coalition of non-profit activists (Asian American Resource Workshop, Haymarket People's Fund, Freedom House, etc.) in an evening neighborhood setting, in addition to the daytime presentations on campus.

- With Amanda in the lead, we were able to develop and publish an additional edition of *Multidiversity: Myers Book Commentary*. We explored

expanded circulation to late teens/early 20s student populations in three colleges. Lesson learned: much more work needed here. Those who are heard do not always encompass those who speak.

- Amanda effectively advocated for greater consideration of graphic novels, editorial cartoons and poetry (Marjane Satrapi, Lalo Alcaraz, THINK AGAIN, Michelle Fine et al., *Echoes of Brown*) within the mix of social justice related works. The Myers Outstanding Book Awards Review Panel is now doing so.

- The Transgender/Intersexed conference planners were unable to raise sufficient funds to underwrite the planned spring conference. Though this was disappointing, all involved learned first-hand the different and complex dimensions necessary in planning to gather persons from across the nation to organize more effectively around a broad range of sexualities. The lesson learned: be prepared for disappointments, yet walk forward into the ambiguities. Useful seeds have been planted.

- We continue to act in support of the underpaid and exploited janitorial staff at the College, and in Greater Boston. Amanda weathered well the frustration resulting from the apathy and/or adamant resistance of the privileged to solidarity actions.

- Amanda's gift with words continues to flourish. She will graduate this May from Simmons and will continue on her creative writer path — several of her poems have been published — and to become an engaged academic who values multiculturalism and works to end oppressions. She will challenge hierarchical "certainties." She is clear that her interactions with the Myers Outstanding Book Award panelists, and with authors such as Bernestine Singley, Yuri

Kochiyama and many more, have expanded her world and her awareness of ways to stay true to social justice ideals while paying one's bills. □

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as the parent got closer to retirement age.

## A Radical Departure

President Bush's proposal to privatize Social Security is a radical departure for the program. The benefits for children are greatly threatened by changing the focus of the program — from assuring American parents that their children will be protected from economic calamity if the parent becomes disabled, dies or lives long enough to avoid being a burden on their children — to being solely an individual savings vehicle for retirement. President Bush promised in his State of the Union Address that he would not cut the benefits of anyone under 55. His speech mentioned the 49.6% of Social Security beneficiaries who get a retirement check based on their own work history. He never mentioned the 12% of disabled workers, whose average age is less than 55, or the 38% of beneficiaries who were family members being protected by their parent or spouse. For the millions of children whose parents worked hard to insure their children's future, and most of whom were under 18, President Bush's silence says a lot.

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