

GAO Report Confirms Social Security Privatization Would Hurt Minorities

In April 2003, a report from GAO, "*Social Security and Minorities — Earnings, Disability Incidence, and Mortality are Key Factors That Influence Taxes Paid and Benefits Received*," shows that Social Security is a "good deal" for minorities. It refutes claims made by those who favor privatizing Social Security, who have argued that minorities are treated badly by Social Security and would benefit from privatization.

Unlike some previous studies, which considered only retirement benefits, the GAO study counted all Social Security benefits: retirement, survivors and disability, as well as spousal benefits.

GAO found that both African-Americans and Hispanics, on average, get more for their money in Social Security than do whites. This is due to two factors:

- ***Progressive benefit formula:*** The formula used to calculate the amount of Social Security benefits one receives is "progressive." That is, it provides higher benefits (relative to lifetime wages) for lower earners than for higher earners. Because on average blacks and Hispanics have lower lifetime wages than whites, this feature of Social Security results in a better return for these groups.
- ***Disability benefits:*** Because members of minority groups have a higher incidence of severe, career-ending disabilities, they benefit disproportionately from Social Security's disability benefits.

The report also observed that African-Americans have higher mortality rates than whites and Hispanics, but did not draw any conclusions about the implications of this differential. Other scholars have suggested that the higher mortality rate of African-Americans tends to reduce their return in Social Security; however, this effect is overwhelmed by the favorable effects of the progressive benefit formula and disability benefits.

The report concluded that proposals to privatize Social Security would likely harm minorities, by reducing the progressivity of the system and thus their more favorable return from the system. Moreover, such proposals would likely reduce disability and survivor benefits, which are particularly beneficial to minorities.
