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Author

Rhee, Nari

Publication Date

2012-02-01



BLACK AND LATINO RETIREMENT (IN)SECURITY

Nari Rhee, Ph.D.

February, 2012

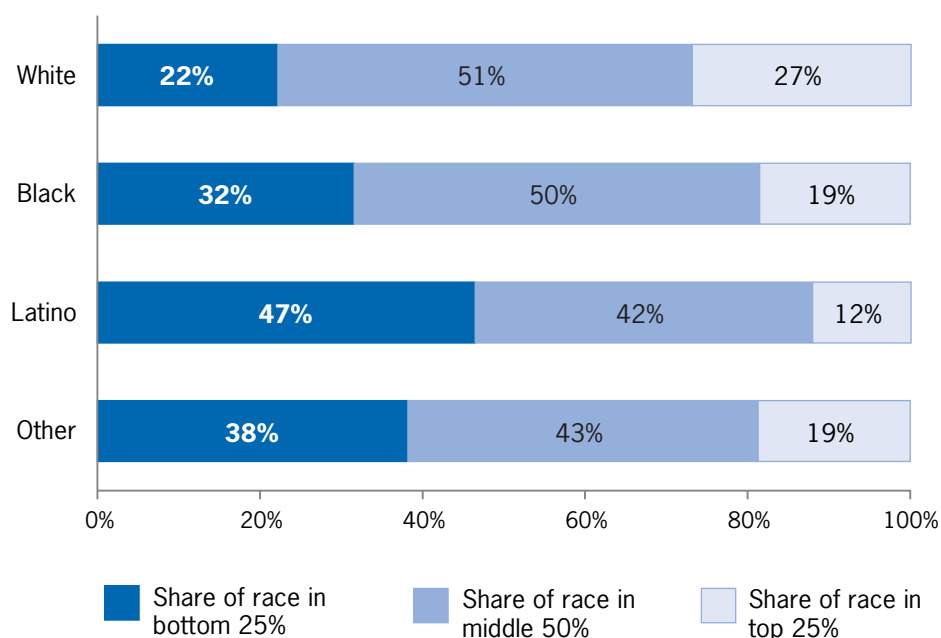
HIGHLIGHTS

- **Black and Latino seniors are more likely to be in the lowest income group among retirees.** They also rely more heavily on Social Security and have less access to other types of retirement income than white retirees.
- **Elder poverty rates are twice as high among Blacks and Latinos compared to the US elder population as a whole.** 19.4 percent of Black seniors (age 65 and older) and 19.0 percent of Latino seniors have incomes below the federal poverty line, compared to 9.4 percent for the senior population as a whole.
- **Less than half of employed Blacks and less than a third of employed Latinos in full-time jobs are covered by an employer sponsored retirement plan,** a critical resource in ensuring adequate retirement income. Given high rates of unemployment in the Black community, both job access and job quality are critical to improving retirement prospects for the current generation of Black workers.

Black and Latino retirees are more likely to have lower incomes, from fewer sources.

Among retirees age 60 and older, people of color are disproportionately likely to be low income.¹ According to Current Population Survey data for 2007–2009, 31.6 percent of Blacks and 46.5 percent of Latinos are in the bottom 25 percent income group. The “Other” race group, which includes Asian/Pacific Islander and Native American populations, is also more likely to be low income (38 percent).²

Figure 1. Income Distribution among Retirees by Race, 2007–2009



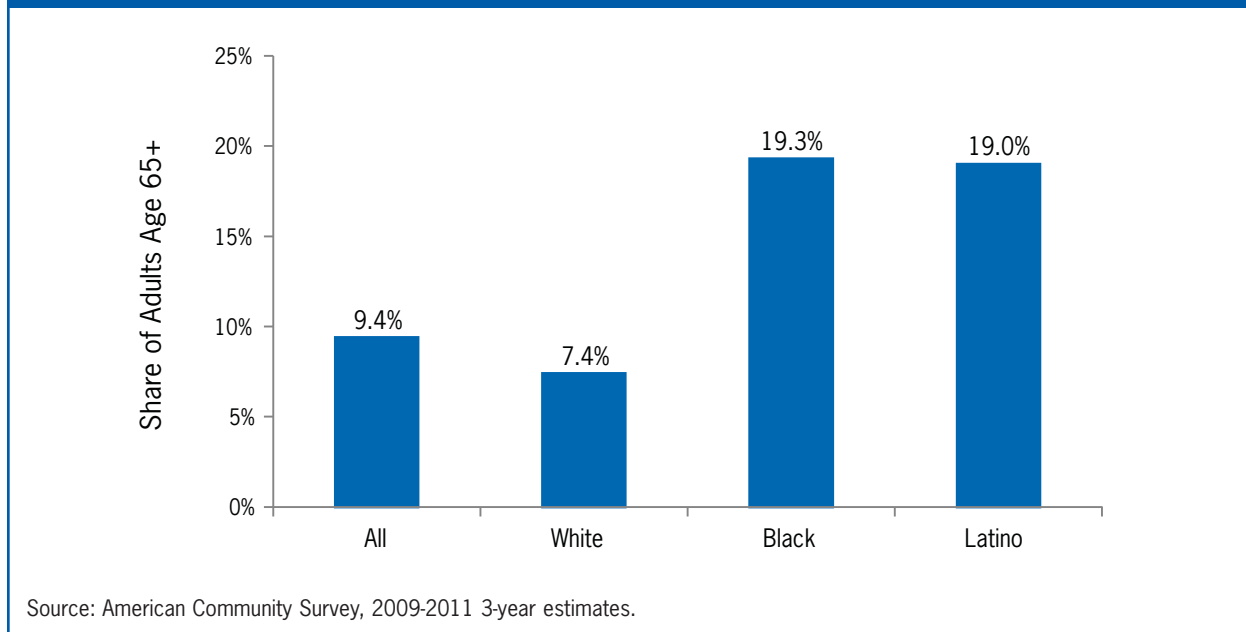
Source: Estimates from the Current Population Survey March Supplement, 2008-2010. For methodology see Allegretto, Rhee, Saad-Lessler & Schmitz, 2011, p. 26, notes to Table 2.2.

Older people of color are overrepresented in the lowest income group because they have fewer financial resources compared to whites. They also rely on Social Security for a greater share of their income—even though they benefit less than do whites. According to the AARP, 84 percent of Blacks and 78 percent of Latinos age 65 or older live in families that receive Social Security benefits, compared to 91 percent of whites, in part due to higher incidence of disability in the former groups. Among Social Security beneficiaries, Blacks and Latinos receive 26 percent less in average annual benefits than do whites because of lower lifetime earnings. However, over 30 percent of Blacks and 26 percent of Latinos, compared to 22 percent of whites, rely on Social Security for more than 90 percent of income in retirement. Furthermore, only about a third receive income from pensions or retirement accounts, or from other household assets—compared to over half among whites.³ The lack of pension and other assets to supplement Social Security also accounts for higher rates of elder poverty among Blacks and Latinos, highlighted below.

Black and Latino Seniors are much more likely to be poor.

While Social Security has dramatically decreased poverty rates among seniors across all racial groups since the 1930s, deep racial inequality remains. Poverty rates among Blacks (19.3 percent)

Figure 2. Senior Poverty Rates by Race, 2008–2010

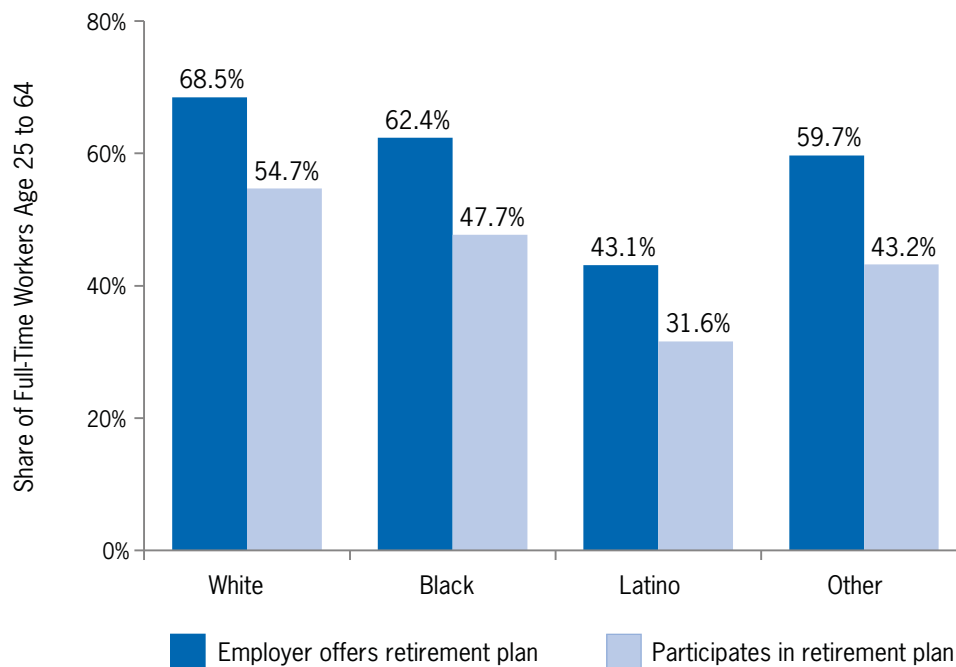


and Latinos (19.0 percent) are twice as high as the national average for adults age 65 and older (9.4 percent) over the three years spanning 2008– 2010, and two and a half times as high as the poverty rate for whites in the same age group (7.4 percent).⁴ Importantly, poverty rates are significantly higher among women of color than among men of color.⁵

Black and Latino workers are less likely to have a workplace retirement plan.

If racial inequality persists in the distribution of retiree income and in senior poverty rates, what are the retirement security prospects of working-age people of color? One measure is access to a workplace retirement plan, which is critical to middle class economic security and the ability of working people to live in dignity in old age. Here, employed Black workers lag slightly behind employed whites in terms of the share of full-time workers who work for employers that offer a retirement plan (62.4 percent vs. 68.5 percent). Employed Latino workers are most disadvantaged in terms of workplace retirement plan access (43.1 percent). Actual participation rates are even lower because not all workers choose to participate in their employer’s plan, given most are 401(k) type plans where participation is purely voluntary, and because not all workers qualify to participate. Less than half of Black workers (47.7 percent) and less than a third of Latino workers (31.6 percent) in full-time jobs participate in an employer sponsored retirement plan, whether a traditional defined-benefit pension that guarantees lifetime income or, far more common, an individual investment account like a 401(k) that entails many risks for workers.

Figure 3. Workplace Retirement Plan Coverage by Race, 2007-2009



Source: Estimates from the Current Population Survey March Supplement, 2008-2010. For methodology see Allegretto, Rhee, Saad-Lessler & Schmitz, p. 29, notes to Table 2.4.

At the same time, pension coverage statistics for employed workers tell only part of the story when it comes to retirement income security for workers of color. In particular, Black workers face lower hourly earnings, higher rates of unemployment, and greater incidence of long-term unemployment than the working population as a whole. Consequently, Black workers face particularly severe challenges in building adequate financial wealth—whether through employer sponsored pensions, home equity, or other financial assets—to have enough retirement income in addition to Social Security to guarantee economic independence in old age. Thus improved access to jobs, especially quality jobs with good wages and benefits, alongside a strengthened Social Security system is necessary in order for more Black workers to be able to retire with dignity.

Endnotes

¹ Unpublished data originally generated for S. Allegretto, N. Rhee, J. Saad-Lessler, and L. Schmitz, 2011, “California Workers’ Retirement Prospects,” in N. Rhee (ed.), *Meeting California’s Retirement Security Challenge*, UC Berkeley Center for Labor Research and Education. URL: http://laborcenter.berkeley.edu/research/CAretirement_challenge_1011.pdf.

² Race categories in the CPS March Supplement are limited to white, African American, Hispanic, and “Other”.

³ AARP Public Policy Institute, “Social Security: A Key Retirement Income Source for Minorities,” Fact Sheet 201, September 2010, p. 1. URL: <http://assets.aarp.org/rgcenter/ppi/econ-sec/fs201-economic.pdf>.

⁴ See note 1.

⁵ AARP, op cit, p. 4.

Institute for Research on Labor and Employment
University of California, Berkeley
2521 Channing Way
Berkeley, CA 94720-5555
(510) 642-0323
<http://laborcenter.berkeley.edu>



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Acknowledgments

The author would like to thank Sylvia Allegretto from the Center on Wage and Employment Dynamics at the UC Berkeley Institute for Research on Labor and Employment, who originally generated retiree income distribution and workplace retirement coverage estimates for the Labor Center's Retirement Security Project. The original project was funded in part by the International Brotherhood of Electrical Workers Local 1245, Service Employees International Union California State Council, and Californians for Retirement Security.

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