



Highlights of [GAO-03-387](#), a report to the Ranking Minority Member, Subcommittee on Social Security, Committee on Ways and Means, House of Representatives

## Why GAO Did This Study

Although Social Security's benefit and contribution provisions are neutral with respect to race, ethnicity, and gender, concerns about the experiences of minority groups under Social Security focus on whether they benefit less than whites, particularly because of the shorter life expectancy of blacks. These concerns are related to the concept of equity, or how benefits compare with taxes. To gain a thorough understanding of the experiences of minority populations under Social Security, GAO was asked to examine (1) what socioeconomic and demographic factors influence Social Security taxes paid and benefits received and (2) how different equity measures compare across racial groups.

Because of the current system's projected actuarial deficit, to conduct this study, GAO made its calculations using three policy scenarios, each of which achieves 75-year solvency: a payroll tax increase and a progressive and proportional benefit cut. Further, GAO used three measures of equity: lifetime benefit-to-tax ratios, net lifetime benefits, and real internal rates of return. GAO also examined four birth cohorts: 1931-40, 1941-45, 1946-55, and 1956-64.

[www.gao.gov/cgi-bin/getrpt?GAO-03-387](http://www.gao.gov/cgi-bin/getrpt?GAO-03-387).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Barbara D. Bovbjerg at (202) 512-7215 or [bovbjergb@gao.gov](mailto:bovbjergb@gao.gov).

# SOCIAL SECURITY AND MINORITIES

## Earnings, Disability Incidence, and Mortality Are Key Factors That Influence Taxes Paid and Benefits Received

### What GAO Found

Lifetime earnings, the incidence of disability, and mortality are three key factors that influence the taxes individuals pay into the Social Security system and the benefits they receive. Lifetime earnings factor directly into the Social Security benefit formula, which is designed to replace a larger proportion of pre-retirement-covered earnings for low-income earners than for higher-income earners. Additionally, the probability of being on the Disability Insurance rolls affects the expected value of benefits. People who are disabled start receiving benefits earlier. The third factor, mortality, affects the benefits received relative to taxes paid because it determines the number of years a person will pay taxes and receive benefits.

Differences by race in the relationship between taxes paid and benefits received under Social Security are due mainly to differences in lifetime earnings, the incidence of disability, and mortality among the groups. In the aggregate, blacks and Hispanics have higher disability rates and lower lifetime earnings, and thus as a group tend to receive greater benefits relative to taxes than whites. However, whites with low lifetime earnings or high disability rates also receive greater benefits relative to taxes than their higher-income or nondisabled counterparts. Higher benefits relative to taxes paid are associated with lower lifetime earnings and higher disability incidence.