Social Security and Poverty Among the Elderly

A National and State Perspective

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Summary

Census data show that without Social Security, nearly half — 47.6 percent — of the U.S. population age 65 and older would have been poor in 1997.[1] Social Security reduced the poverty rate among elderly people in 1997 by three-quarters, to 11.9 percent. Social Security lifted 11.4 million elderly people out of poverty in that year. In 1997, the poverty level for a single elderly person was $7,698 and the poverty level for an elderly couple was $9,712.

State-by-State Effects

Census data also demonstrate that Social Security substantially reduces poverty among the elderly in every state. (See Table 1 on page 7.)

- In the largest state, California, an estimated 43.2 percent of elderly people would have been poor without Social Security. Social Security reduced to 12.5 percent the proportion of elderly people in the state who were poor.

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[1] This report examines the effect of Social Security and other government programs on poverty by comparing the number of people who would be poor if government benefits were *not* counted as part of their incomes to the number who are poor when certain government benefits *are* counted. If no government benefits were counted as part of their incomes, 49.1 percent of elderly people would be poor. Counting social insurance benefits, such as federal pensions and unemployment insurance benefits, but not Social Security, brings the elderly poverty rate down slightly to 47.6 percent. Counting Social Security brings the poverty rate down to 11.9 percent. Thus, the impact of Social Security is to reduce the poverty rate among elderly people from 47.6 percent to 11.9 percent. In this report, the phrase "before (or without) Social Security" means after counting social insurance benefits other than Social Security, but without counting any other government benefits.

Thus, 30.7 percent of all elderly people in California were lifted from poverty by Social Security. (These and all other state-by-state figures in the report are five-year average figures for 1993 through 1997.)

- In Florida, Social Security reduced the elderly poverty rate from 48.7 percent to 11.9 percent. Social Security benefits lifted out of poverty 36.9 percent of the elderly in that state.

- In New York, Social Security lowered the proportion of elderly people living in poverty from 50 percent to 15.1 percent. In Illinois, it reduced the elderly poverty rate from 48.4 percent to 10.1 percent.

Nationally, Social Security lowered the number of elderly poor from 15.3 million to 3.8 million in 1997, lifting from poverty nearly three of every four elderly people who would have been poor without it. Similarly, in a substantial majority of states, Social Security lifted from poverty approximately three-quarters of the elderly who would be poor in its absence. (See Table 2 on page 9.)

- In California, Social Security reduced the number of elderly people living in poverty from 1.45 million to 421,000, lifting more than one million elderly out of poverty. Stated another way, 71 percent of the elderly people in California who would have been poor in the absence of Social Security benefits were lifted from poverty by these benefits.

Dispelling Possible Confusion About the State Numbers

At first blush, a few of the state figures presented here may seem a bit confusing. In California, for example, Social Security lifted 30.7 percent of all elderly people from poverty.   Also in the Golden State, 71 percent of the elderly people who would have been poor in the absence of Social Security benefits were lifted from poverty by these benefits. What is the difference between these two percentages?

During the period we examined, the Census data show there were an average of 3.35 million elderly people in California. Some 1.45 million of these 3.35 million people — 43.2 percent of them — were poor before receipt of Social Security benefits. After Social Security benefits are considered, 421,000 — or 12.5 percent of the elderly people in the state — remained poor. Social Security thus lifted 1.03 million elderly people from poverty.

These 1.03 million people whom Social Security lifted from poverty represented 30.7 percent of the 3.35 million elderly people in California. These 1.03 million people also represented 71 percent of the 1.45 million elderly people in the state who would have been poor in the absence of Social Security benefits.

- Social Security reduced the number of elderly poor in Florida by an estimated 883,000, from 1.17 million such people to 282,000. Some 76 percent of elderly Floridians who would have been poor without Social Security were lifted from poverty by it.

- In Illinois, Social Security lifted from poverty four of every five elderly people who otherwise would have been poor. In New York, seven of 10 elderly people who would have been poor without Social Security were lifted from poverty by the program.

Effects on Women

The majority of elderly people whom Social Security lifts from poverty are women. In 1997, women accounted for more than three of every five elderly people lifted from poverty by Social Security; the program lifted seven million elderly women and 4.4 million men out of poverty that year. It lowered the number of poor elderly women from 9.8 million to 2.7 million and shrank the number of poor elderly men from 5.5 million to 1.1 million.

Without Social Security benefits, 52.6 percent of elderly women would have had incomes below the poverty line in 1997. Social Security reduced the poverty rate for elderly women to 14.7 percent. Here, too, the state figures track the national figures. (See Table 3 and 4 on pages 11 and 12.)

- In California, Social Security reduced the proportion of elderly women living below the poverty line from 48.7 percent to 15.3 percent. It lifted an estimated 635,000 elderly women out of poverty. More than two of every three elderly women in the state who would have been poor without Social Security — 69 percent of such women — were lifted from poverty by it.

- In Florida, Social Security lowered the poverty rate among women 65 and over from 52.8 percent to 14.4 percent, lifting more than one half million elderly women from poverty. Some 73 percent of the elderly women in the Sunshine State who otherwise would have been poor were removed from poverty by Social Security.

- In New York, as well, Social Security lifted one half million elderly women from poverty, or about two-thirds of the elderly women who otherwise would have been poor. Social Security reduced the poverty rate for elderly women in the Empire State from 55.4 percent to 18.9 percent.

- Social Security lifted from poverty 456,000 elderly women in Pennsylvania, 366,000 in Texas, 335,000 in Ohio, 324,000 in Illinois, 279,000 in Michigan, and 224,000 in New Jersey. In all of these states except Texas, Social Security lifted from poverty about three of every four elderly women who otherwise would have been poor. In Texas, it lifted out nearly two-thirds of those who would have been poor without it.

Overall Effects on Elderly Poverty

Social Security has a much larger impact in lifting elderly people from poverty than all other government programs combined. Nine of every 10 elderly people lifted from poverty by government benefit programs, including state and local cash assistance programs, are lifted out by Social Security.

Social Security also reduces the *depth*, or severity, of poverty among elderly people who remain poor. Researchers use a measure known as the "poverty gap" to examine the depth of poverty; the poverty gap is the total amount by which the incomes of all poor people fall below the poverty line. In 1997, the poverty gap for the elderly was $70 billion before Social Security. Social Security reduced the poverty gap among the elderly from $70 billion to $10 billion.

Figure A

Proportion of Elderly Lifted Out
of Poverty by Government Programs

Food, housing benefits
Cash assistance
Other social insurance
Social Security
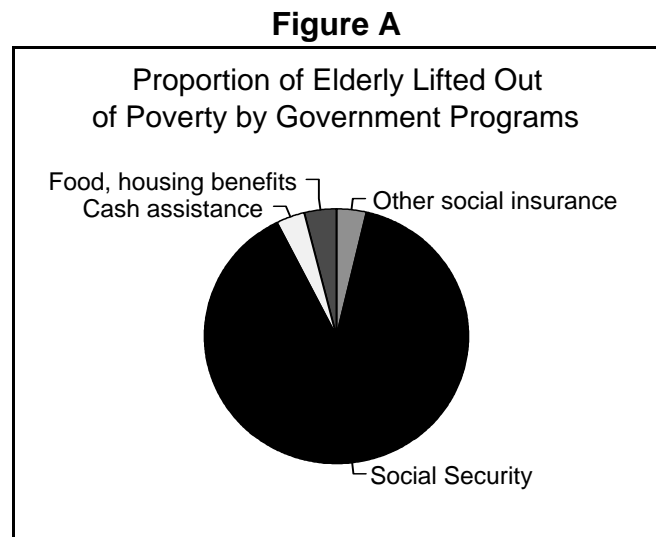
Social Security also is important to millions of elderly people who are not poor. It constitutes at least 50 percent of the total income of more than half of all elderly people. It constitutes at least 90 percent of income for one-quarter of the elderly. For 15 percent of the elderly, Social Security is their sole source of income.

Social Security is the principal source of income for many middle-income elderly people as well as for those of lesser means. It makes up approximately 80 percent of the income of both the poorest fifth of elderly people and the next-to-the-poorest fifth. It provides 62 percent of the income of those in the middle fifth of the elderly population. It even provides 41.5 percent of the income of the elderly in the next-to-highest income fifth. By contrast, it makes up only 17 percent of the income of those in the top fifth of the elderly population.

Effects on Elderly Women

Social Security is particularly beneficial to women. Women receive 53 percent of Social Security retirement and survivor benefits, while paying 38 percent of Social Security payroll taxes.

Social Security is highly favorable to women for several reasons. It provides lifetime retirement benefits that are fully indexed for inflation. Since women tend to live longer than men, this feature of Social Security is especially important to them. In addition, Social Security has a progressive benefit structure — it provides benefits that replace a higher percentage of the earnings of low-wage workers than of highly paid workers. Since women have lower average wages than men, this aspect of the program is beneficial to them as well. Finally, women are the primary beneficiaries of Social Security's special benefits for spouses (including divorced spouses who were married at least 10 years and have not remarried) and for widows and widowers.

Women outnumber men in the elderly population, and elderly women are more likely than elderly men to be poor. This is in large part because elderly women receive less income than elderly men from earnings, pensions, and investments. Older women tend to have fewer financial assets than older men.

Figure B

Poverty Rates
Elderly Men and Women

In 1997, some 52.6 percent of women age 65 and older were poor before receipt of Social Security benefits, compared to 40.8 percent of elderly men. After Social Security, 14.7 percent of elderly women and 8.2 percent of elderly men remained poor. Social Security narrows the gap in poverty rates between elderly women and elderly men.

In 1997, nearly two-thirds of elderly women received a majority of their income from Social Security. For almost one-third of elderly women, Social Security provided at least 90 percent of income. It was the sole source of income for nearly one in five elderly women. For elderly women overall, Social Security benefits provided more than three-fifths of total income.
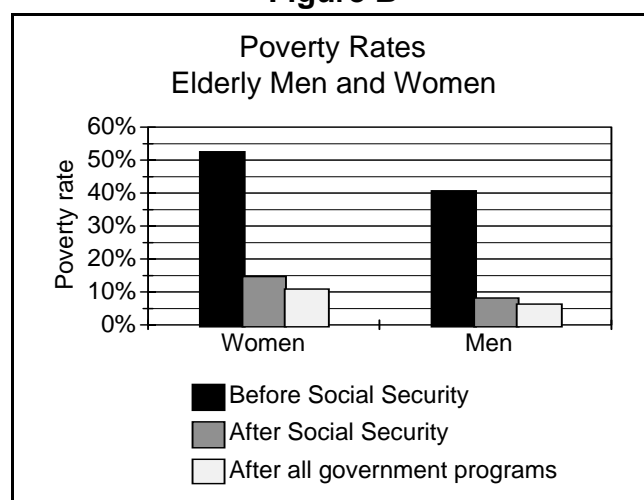
Effects by Marital Status

Married women and widows are entitled to special Social Security benefits.[2] Social Security lifts from poverty a larger proportion of elderly women who are married than of those who are widowed and a larger proportion of those who are widowed than of those otherwise unmarried.

- In 1995-1997, Social Security benefits lifted from poverty 85.6 percent of *married* women who would be poor without it — or six of every seven such women. (These figures are based on averages of three years of Census data. Three years of data were used to provide adequate sample sizes.)

- Among elderly *widows,* Social Security lifted from poverty two-thirds — 65.8 percent — of those who would have been poor in the absence of these benefits.

- Social Security lifted from poverty about half — 51.8 percent — of *never-married, divorced, and separated* elderly women who would have been poor without its benefits.

- Social Security reduced the poverty rate among elderly married women from 42.2 percent to 4.8 percent. Among elderly widows, it reduced the poverty rate from 62.1 percent to 20.3 percent. It cut poverty among other unmarried women from 56.7 percent to 27 percent.

Figure C

Poverty Rates
Elderly Women, by Marital Status

Although Social Security lifts more elderly married women from poverty, widows are the group that

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[2] Social Security benefits are structured so one spouse can receive Social Security benefits based on the earnings of the other spouse. This is particularly important to women because their earnings tend to be lower than the earnings of their husbands. The lower-earning spouse is entitled to a Social Security benefit based on her own earnings or a benefit equal to half of the benefit her spouse receives, whichever is greater. Similarly, widows and widowers can receive Social Security benefits based on the earnings of their deceased spouses; a widow(er) is entitled to a Social Security benefit based on her own earnings or a benefit equal to 100 percent of her deceased spouse's benefit, whichever is greater.

relies on Social Security for the greatest portion of their income. Social Security made 67.6 percent of the total income of elderly widows in 1995-97. It constituted 55.5 percent of the income of elderly married women and 56.3 percent of the income of other unmarried elderly women.

Indeed, nearly three of every four elderly widows rely on Social Security for a majority of their income. Two-fifths depend on it for at least 90 percent of their income. For one-quarter, it is their only income source.

Effects by Age

Elderly women are more likely to fall into poverty as they grow older. Among women age 65 to 75, nearly half — 46 percent — were poor in 1995-97 before counting Social Security. By contrast, among those 85 and older, 65.3 percent were poor before Social Security.

Social Security benefits narrow the disparity in poverty rates between the younger and older elderly. After receiving Social Security benefits, 12.7 percent of women 65 to 75 remain in poverty. Among women 75 to 85, some 16.6 percent remain poor after receipt of Social Security. Among those 85 and older, 20.6 percent are poor after Social Security.

Just as women become poorer as they get older, so do they rely more heavily on Social Security. The proportion of women who rely on Social Security for at least half of their income rises from 58 percent for women 65 to 75 to 75 percent for those 85 and older. Similarly, 15 percent of women age 65 to 75 rely on Social Security as their only source of income. Some 26 percent of those 85 and older do.

Effects by Racial and Ethnic Group

Poverty is higher among elderly people in minority racial and ethnic groups than among the white elderly. In 1997, some 46.3 percent of the white elderly were poor before receipt of Social Security.[3] Some 54.9 percent of Hispanic elderly people were poor before Social Security, as were 59.9 percent of the black elderly.

Social Security cuts poverty rates by about half or more among elderly people in all three groups. In 1997, Social Security benefits reduced the poverty rate for the Hispanic elderly from 54.9 percent to 28.1 percent. These benefits shrank the poverty

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[3] In this report, "white" means non-Hispanic white and "black" means non-Hispanic black.

rate for the black elderly from 59.9 percent to 29.1 percent. The poverty rate among the white elderly plummeted from 46.3 percent to 9.1 percent.

In numerical terms, Social Security reduced the number of white elderly poor from 12.5 million to 2.4 million in 1997. These benefits cut the number of black elderly poor from 1.6 million to 800,000 and the number of Hispanic elderly poor from 900,000 to 500,000.

Much of the difference among racial and ethnic groups in the anti-poverty effects of Social Security is due to differences in wages. Social Security benefit levels are tied to beneficiaries' wages during their working years. Many of those who are old today worked for years before the passage of civil rights laws, when wage differentials between whites and minorities were even larger than they are today. During these periods, black and Hispanic workers often were limited to low-paying occupations. The smaller impact of Social Security on poverty among the Hispanic elderly also reflects the fact that many Hispanic people who are elderly today emigrated to the United States too late in life to amass a sufficient number of years of employment to qualify for substantial Social Security benefits.

For elderly people of all races, Social Security provides a larger share of income than does any other income source. Some 43 percent of the total income of the black elderly, 41 percent of the total income of the Hispanic elderly, and 36 percent of the total income of the white elderly comes from Social Security. The black and Hispanic elderly populations rely on Social Security for somewhat larger shares of their income than the white elderly do because they tend to have less income from other sources.

I. Introduction

This report examines the effect of Social Security on poverty, primarily poverty among elderly people. The effect of government programs on poverty is determined by comparing the number of people who would be poor if government benefits were *not* counted as part of their incomes to the number who are poor when government benefits *are* counted. The difference represents the impact of government programs in lifting people out of poverty.

The analysis in this report uses data the Census Bureau collects each year on the incomes of the American people, the same data on which the official poverty measure is based. These Census data include information on Social Security payments, as well as cash income from earnings, Unemployment Compensation, Supplemental Security Income, welfare payments, and many other government cash benefits. The Census data also include certain government benefits not in the form of cash, such as food stamps, school lunches, and housing assistance. Federal income and payroll taxes paid and any Earned Income Tax Credits received are included in these data as well.

The official poverty measure is based on a definition of income that includes all cash payments received by an individual or family, whether from earnings, government benefits, or any other source. Benefits not in the form of cash are not counted as income in the official measure. To determine whether an individual or family is poor, that person's or family's cash income is compared to the official poverty line.

This analysis uses several measures of poverty that differ from the official poverty definition. One is poverty before government benefits are counted, which is determined using the official poverty line but excluding from income all government benefits. The number of people counted as poor under this poverty measure is higher

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than under the official poverty count because, unlike the official poverty definition, the measure of poverty before government benefits are counted excludes from income all government benefits provided in cash.

This poverty measure is useful in determining the impact of the private-sector economy on poverty. If government benefits are excluded, the remaining income is that produced by the private sector, primarily as earnings from employment. Tracking this measure of poverty over time shows trends in the impact of the economy on poverty. The measure of poverty before counting government benefits rises during economic recessions and falls during economic recoveries.

Another measure used in this report is poverty after Social Security and other social insurance programs are counted. It, too, is based on the official poverty line, but it counts Social Security and other social insurance benefits as income, rather than all government cash benefits.[4] The number of poor under this measure is higher than under the official poverty count because this measure does not reflect the benefits of means-tested government programs that provide cash assistance to needy individuals and families, such as SSI and welfare payments.

We can also compare the number of people in poverty after counting all social insurance benefits, except Social Security, to the number of poor after counting all social insurance benefits, including Social Security. The difference is the number of people lifted out of poverty by Social Security and represents the impact of Social Security benefits in reducing poverty.

The report also uses a measure of poverty that counts not only Social Security and other social insurance programs but nearly all government benefits (other than health insurance) as well, including cash assistance and benefits provided in forms other than cash, such as food stamps and housing subsidies.[5] This measure

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[4] Social insurance programs are government programs that go to people who have built up credits by working for a period of time. Social Security is a social insurance program, as are unemployment insurance, worker's compensation, federal pensions, some types of veterans payments, and a few other small programs. This paper uses the Census Bureau's specifications in classifying programs as social insurance programs.

[5] Medical insurance programs such as Medicare and Medicaid are not included as income in this measure because these programs provide insurance protection rather than benefits that can be used for basic living expenses like food or rent. When the poverty line was set, it did not take into account the costs of medical care. If medical insurance programs were counted as income, the poverty line would have to be adjusted to compensate. The definition of income used in this measure, which counts major non-cash benefits other than health insurance as income, is similar to that recommended for measuring poverty by an expert panel of the National Academy of Sciences in 1995.

encompasses cash assistance provided by state and local governments, including general assistance to individuals without children, special state-funded cash aid for immigrants, and state supplements to the federal Supplemental Security Income program. The number of poor under this measure is lower than the official poverty count because this measure includes non-cash government benefits, which are not counted in the official poverty measure.

Measuring the extent of poverty without the benefits of government programs is not the same as saying that if these programs did not exist, this number of people would be poor. Without these programs, other institutional and behavioral changes likely would occur that would affect the extent of poverty. The purpose of this type of analysis is to identify the impact of government benefits on the extent of poverty. In this report, we focus on the impact of Social Security, particularly among the elderly.

Organization of Report

The second chapter of this report examines the impact of Social Security on poverty among the elderly, both nationally and by state.

Chapter three discusses the impact of Social Security on elderly poverty by race and income. It also includes a discussion of the extent to which Social Security serves as a source of income to the elderly population as a whole.

In chapter four, the particular effect of Social Security on poverty among elderly women is explored. Chapter five analyzes the impact of Social Security on poverty among non-elderly adults and children.

II. Effects of Social Security on Poverty Among the Elderly by State

The elderly depend on government assistance programs, especially Social Security, far more than any other age group. Without the benefits of any government programs, nearly half — 49.1 percent — of the U.S. population aged 65 and older would have been counted as poor in 1997. (See Figure 1.) After counting social insurance programs other than Social Security, the poverty rate fell slightly to 47.6 percent. After counting Social Security, it fell more dramatically to 11.9 percent — a drop in the elderly poverty rate of nearly three-quarters due to Social Security alone.

Figure 1
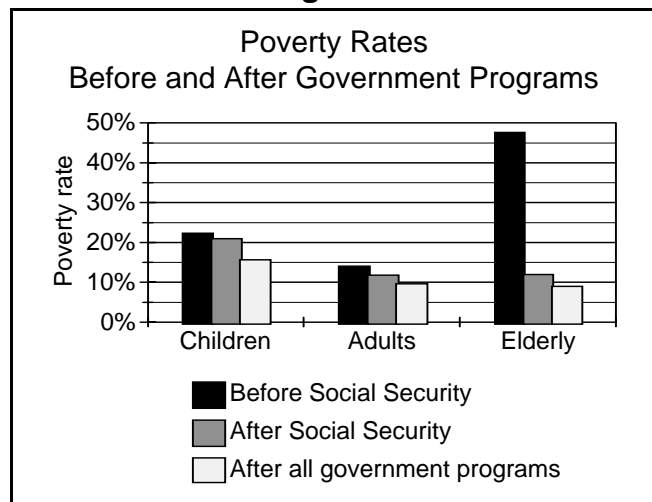
Poverty Rates
Before and After Government Programs

Social Security lowered the number of elderly poor from 15.3 million to 3.8 million in 1997, lifting 11.4 million elderly people out of poverty. This is nearly three out of four elderly people who would have been poor without the program. In 1997, the poverty level for a single elderly person was $7,698 and the poverty level for an elderly couple was $9,712.

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State-by-State Effects on Poverty

In every state, Social Security reduces poverty substantially among elderly people. Averaging Census data for the years from 1993 to 1997 for each state, we can estimate the percentage of elderly people in each state who would be poor in the absence of Social Security and other government benefits (except social insurance programs). We also can estimate the percentage of elderly people remaining poor after receiving Social Security as well as the proportion of the elderly population that is lifted out of poverty by Social Security.

Table 1 shows the effect of Social Security on the elderly poverty rate for all but the smallest states. The table provides, for each state, the best estimate from Census data of the percentage of elderly people whose incomes fall below the poverty line *before* Social Security and other government benefits (except social insurance) are counted, as well as the best estimate of the percentage of the elderly who remain poor *after* Social Security is counted (but before other government benefits are counted). The difference between these two estimates is shown in the third column of data; this is the estimated percentage of all elderly people in the state that Social Security lifts from poverty. (The box at the top of this page explains how these state estimates were obtained from the Census data.) Because of relatively small sample sizes for many states, comparisons should not be made among states.

Table 1
Impact of Social Security on Elderly Persons

	Best Estimate of Percent of Elderly Who Are Poor Before Social Security	Best Estimate of Percent of Elderly Who Are Poor After Social Security	Best Estimate of Percent of Elderly Lifted From Poverty by Social Security
Alabama	56.0%	17.6%	38.4%
Arizona	43.4%	10.5%	32.9%
Arkansas	60.4%	19.9%	40.5%
California	43.2%	12.5%	30.7%
Colorado	37.2%	8.5%	28.8%
Connecticut	40.2%	6.2%	34.0%
Florida	48.7%	11.9%	36.9%
Georgia	49.7%	15.6%	34.1%
Hawaii	30.9%	9.2%	21.7%
Idaho	49.3%	9.4%	40.0%
Illinois	48.4%	10.1%	38.3%
Indiana	54.0%	9.7%	44.3%
Iowa	49.5%	9.8%	39.7%
Kansas	49.4%	11.6%	37.8%
Kentucky	52.6%	13.8%	38.8%
Louisiana	54.9%	19.0%	35.9%
Maine	54.6%	13.0%	41.5%
Maryland	41.3%	11.0%	30.3%
Massachusetts	47.4%	11.4%	36.0%
Michigan	47.9%	10.0%	37.9%
Minnesota	51.7%	11.5%	40.2%
Mississippi	60.3%	21.3%	39.0%
Missouri	48.1%	11.4%	36.7%
Montana and Wyoming*	53.1%	10.9%	42.2%
Nebraska	52.7%	10.9%	41.8%
Nevada	45.1%	9.3%	35.8%
New Hampshire	48.3%	8.6%	39.8%
New Jersey	43.8%	9.7%	34.0%
New Mexico	48.4%	17.0%	31.3%
New York	50.0%	15.1%	34.9%
North Carolina	54.0%	15.7%	38.2%
North and South Dakota*	53.5%	13.4%	40.1%
Ohio	48.9%	10.6%	38.2%
Oklahoma	54.7%	14.9%	39.9%
Oregon	46.4%	6.7%	39.7%
Pennsylvania	53.0%	10.6%	42.4%
Rhode Island	54.6%	12.7%	42.0%
South Carolina	57.0%	18.2%	38.8%
Tennessee	53.6%	19.1%	34.6%
Texas	50.3%	16.5%	33.8%
Utah	40.0%	6.4%	33.6%
Virginia	44.7%	13.8%	30.8%
Washington	42.3%	9.4%	32.9%
West Virginia	58.5%	15.5%	43.0%
Wisconsin	47.7%	9.0%	38.6%
U.S. Total**	48.7%	12.6%	36.1%

* Data for Montana and Wyoming and for North Dakota and South Dakota have been combined to produce sample sizes large enough to obtain reliable estimates.

** The U.S. total figures in this table differ from the national figures in the text of the report because the U.S. total figures in this table, like the state figures, are based on pooled Census data for the five years from 1993 to 1997. The national figures in the text are based on data for 1997 only.

Note: The following states have been omitted because the sample sizes in these states are too small to obtain reliable estimates: Alaska, Delaware, District of Columbia, and Vermont.

In the largest state, California, the best estimate is that 43.2 percent of elderly people would be poor in the absence of Social Security. Social Security reduces poverty among the elderly in California to 12.5 percent. Thus, an estimated 30.7 percent of all elderly people in California are lifted from poverty by Social Security.

Social Security has similar effects in every state.

- In New York, the estimated poverty rate among the elderly falls from 50 percent without Social Security to 15.1 percent with it. Some 34.9 percent of all elderly New Yorkers — more than one in three — is lifted from poverty by Social Security.

- In Florida, the elderly poverty rate falls from 48.7 percent to 11.9 percent as a result of Social Security. Some 36.9 percent of all elderly people in Florida are lifted from poverty by Social Security.

- In Illinois, the elderly poverty rate falls from 48.4 percent without Social Security to 10.1 percent after receipt of Social Security benefits. Social Security lifts from poverty 38.3 percent of all elderly people in Illinois.

In addition to examining the percentage of *all* elderly people that Social Security lifts out of poverty, the Census data allow us to examine Social Security's effects specifically on those elderly people who would be poor without it. Table 2 provides estimates for each state of the number of elderly people who are poor before and after Social Security, the number lifted out of poverty by Social Security, and the percentage of those poor without Social Security who are lifted from poverty by it.

The table shows that in every state, the best estimate is that Social Security lifts from poverty at least 65 percent of those elderly people who would be poor without it. In a substantial majority of states, Social Security lifts from poverty at least three-quarters of elderly people who would have been poor without it.

- In California, Social Security reduces the number of elderly people living in poverty from 1.45 million to 421,000, lifting more than one million elderly out of poverty. Some 71 percent of those who would be poor in the absence of Social Security benefits are lifted from poverty by these benefits.

- Social Security reduces the number of elderly poor people in Florida by an estimated 883,000 — from 1.17 million to 282,000. More than three of every four elderly Floridians who would be poor without Social Security — 76 percent — are lifted out of poverty by it.

Table 2
Impact of Social Security on the Elderly Poor

	Best Estimate of Number of Poor Elderly Before Social Security (in Thousands)	Best Estimate of Number of Poor Elderly After Social Security (in Thousands)	Best Estimate of Number of Elderly Poor Lifted from Poverty by Social Security (in Thousands)	Best Estimate of Percent of Elderly Poor Lifted from Poverty by Social Security
Alabama	324	101	222	68.6%
Arizona	235	57	177	75.8%
Arkansas	200	66	134	67.1%
California	1,450	421	1,029	71.0%
Colorado	128	30	98	77.1%
Connecticut	180	28	152	84.6%
Florida	1,166	282	883	75.6%
Georgia	369	116	253	68.5%
Hawaii	46	14	33	69.8%
Idaho	65	12	52	81.1%
Illinois	654	137	517	79.1%
Indiana	375	66	309	82.3%
Iowa	185	37	148	80.3%
Kansas	161	37	124	76.5%
Kentucky	253	66	186	73.8%
Louisiana	257	88	169	65.3%
Maine	88	21	67	75.9%
Maryland	251	67	183	73.3%
Massachusetts	357	86	271	76.0%
Michigan	561	116	445	79.3%
Minnesota	242	54	188	77.7%
Mississippi	186	66	120	64.5%
Missouri	348	83	265	76.6%
Montana and Wyoming*	85	18	68	79.4%
Nebraska	106	22	84	79.3%
Nevada	85	17	67	79.4%
New Hampshire	65	12	54	82.0%
New Jersey	433	96	337	77.7%
New Mexico	90	32	58	64.5%
New York	1,165	353	812	69.6%
North Carolina	479	140	339	70.9%
North and South Dakota*	96	24	72	74.6%
Ohio	686	149	537	78.3%
Oklahoma	226	61	165	72.8%
Oregon	174	25	149	85.8%
Pennsylvania	914	182	732	80.0%
Rhode Island	83	20	64	76.8%
South Carolina	223	71	152	68.2%
Tennessee	305	108	198	65.0%
Texas	904	298	607	67.1%
Utah	72	11	61	83.8%
Virginia	312	96	216	69.1%
Washington	237	54	183	77.8%
West Virginia	170	45	125	73.5%
Wisconsin	271	51	221	80.8%
U.S. Total**	15,373	3,968	11,405	74.2%

* Data for Montana and Wyoming and for North Dakota and South Dakota have been combined to produce sample sizes large enough to obtain reliable estimates.

** The U.S. total figures in this table differ from the national figures in the text of the report because the U.S. total figures in this table, like the state figures, are based on pooled Census data for the five years from 1993 to 1997. The national figures in the text are based on data for 1997 only.

Note: The following states have been omitted because the sample sizes in these states are too small to obtain reliable estimates: Alaska, Delaware, District of Columbia, and Vermont.

- In Illinois, Social Security reduces the number of elderly poor from 654,000 to 137,000, reducing poverty by more than half a million people. About four of every five elderly people who would be poor without Social Security — 79 percent — are lifted from poverty by it.

- The number of elderly poor people in New York is reduced by more than 800,000 — from 1.17 million to 353,000 — by Social Security. Some 70 percent of elderly people who are poor in its absence are lifted from poverty by Social Security.

Effects of Social Security on Women by State

The majority of elderly people whom Social Security lifts from poverty are women. In 1997, three of every five elderly people lifted out of poverty by Social Security — 61.5 percent — were women. Social Security lifted seven million elderly women and 4.4 million elderly men out of poverty in 1997. It lowered the number of poor elderly women from 9.8 million to 2.7 million and reduced the number of poor elderly men from 5.5 million to 1.1 million.

Without Social Security benefits, 52.6 percent of elderly women would have had incomes below the poverty line in 1997. Social Security reduced the poverty rate for elderly women to 14.7 percent. Some 70.3 percent of women who were poor without Social Security were lifted from poverty by it.

Tables 3 and 4 provide estimates from the Census data on the numbers of elderly women whom Social Security lifts from poverty in all but the smallest states. These tables also show the estimated poverty rates for elderly women in these states both before and after receipt of Social Security, as well as the percentages of elderly women poor without Social Security who are raised out of poverty by it.

- In California, Social Security reduces the poverty rate for elderly women from 48.7 percent to 15.3 percent. It lifts an estimated 635,000 elderly women from poverty. More than two of every three elderly women in California who would be poor in the absence of Social Security — 69 percent — are lifted from poverty by the benefits the program provides.

- Social Security lifts more than half a million elderly women in Florida from poverty, lowering the poverty rate among women 65 and over from 52.8 percent to 14.4 percent. Some 73 percent of elderly women in the Sunshine State who otherwise would be poor are removed from poverty by Social Security.

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Table 3
Impact of Social Security on Elderly Women

	Best Estimate of Percent of Poor Elderly Women Before Social Security	Best Estimate of Percent of Poor Elderly Women After Social Security	Best Estimate of Percent of Elderly Women Lifted From Poverty By Social Security
Alabama	60.9%	21.4%	39.5%
Arizona	46.5%	11.8%	34.7%
Arkansas	66.4%	25.1%	41.2%
California	48.7%	15.3%	33.4%
Colorado	41.8%	10.5%	31.3%
Connecticut	45.9%	8.4%	37.4%
Florida	52.8%	14.4%	38.4%
Georgia	54.8%	20.6%	34.2%
Hawaii	34.0%	11.3%	22.7%
Idaho	53.1%	11.8%	41.3%
Illinois	54.9%	13.7%	41.2%
Indiana	58.3%	11.9%	46.4%
Iowa	55.3%	12.6%	42.6%
Kansas	52.2%	12.7%	39.5%
Kentucky	56.9%	18.3%	38.6%
Louisiana	57.4%	21.3%	36.1%
Maine	57.0%	14.6%	42.4%
Maryland	44.5%	13.2%	31.3%
Massachusetts	53.3%	13.9%	39.4%
Michigan	52.6%	12.7%	39.9%
Minnesota	55.9%	14.6%	41.3%
Mississippi	63.8%	26.1%	37.7%
Missouri	53.5%	14.8%	38.7%
Montana & Wyoming*	56.0%	14.5%	41.4%
Nebraska	57.5%	14.4%	43.0%
Nevada	50.1%	12.1%	38.0%
New Hampshire	53.9%	12.0%	41.8%
New Jersey	50.0%	11.8%	38.2%
New Mexico	52.5%	20.2%	32.3%
New York	55.4%	18.9%	36.5%
North Carolina	58.5%	20.0%	38.4%
North & South Dakota*	57.1%	16.0%	41.1%
Ohio	54.2%	14.1%	40.1%
Oklahoma	59.2%	18.9%	40.3%
Oregon	51.6%	7.3%	44.3%
Pennsylvania	58.1%	13.5%	44.6%
Rhode Island	60.1%	16.3%	43.9%
South Carolina	58.8%	22.2%	36.6%
Tennessee	60.6%	25.6%	35.0%
Texas	55.0%	19.3%	35.6%
Utah	43.6%	7.7%	35.9%
Virginia	49.7%	17.6%	32.1%
Washington	45.4%	11.4%	34.0%
West Virginia	64.6%	19.4%	45.3%
Wisconsin	51.8%	12.0%	39.9%
U.S. Total**	53.7%	15.7%	37.2%

* Data for Montana and Wyoming and for North Dakota and South Dakota have been combined to produce sample
sizes large enough to obtain reliable estimates

** The U.S. total figures in this table differ from the national figures in the text of the report because the U.S. total in this table, like the state figures, are based on pooled Census data for the five years from 1993 to 1997. The national figures in the text are based on data for 1997 only.

Note: The following states have been omitted because the sample sizes in these states are too small to obtain reliable estimates: Alaska, Delaware, District of Columbia, and Vermont.

Table 4
Impact of Social Security on Poor Elderly Women

	Best Estimate of Number Poor Before Social Security (in Thousands)	Best Estimate of Number Poor After Social Security (in Thousands)	Best Estimate of Number Elderly Poor Lifted from Poverty by Social Security (in Thousands)	Best Estimate of Percent of Women Lifted from Poverty by Social Security
Alabama	216	75	140	64.7%
Arizona	138	35	103	74.3%
Arkansas	127	48	79	62.3%
California	927	292	635	68.6%
Colorado	80	21	59	75.0%
Connecticut	124	23	101	81.5%
Florida	720	196	524	72.7%
Georgia	243	91	152	62.4%
Hawaii	29	10	19	66.8%
Idaho	40	9	31	77.7%
Illinois	432	108	324	75.0%
Indiana	244	49	195	79.8%
Iowa	120	28	92	77.3%
Kansas	101	24	77	75.2%
Kentucky	153	50	104	67.8%
Louisiana	153	56	97	63.0%
Maine	52	13	39	74.5%
Maryland	161	48	113	70.3%
Massachusetts	231	60	171	74.0%
Michigan	367	88	279	76.0%
Minnesota	149	39	110	73.5%
Mississippi	114	47	67	58.9%
Missouri	225	62	163	72.8%
Montana & Wyoming	59	16	42	74.0%
Nebraska	67	17	50	74.8%
Nevada	53	13	40	75.7%
New Hampshire	39	9	30	77.4%
New Jersey	292	69	224	76.5%
New Mexico	55	21	34	61.7%
New York	777	265	512	65.8%
North Carolina	301	103	197	65.8%
North & South Dakota	47	12	35	71.7%
Ohio	453	118	335	74.0%
Oklahoma	143	45	97	68.3%
Oregon	104	15	89	86.0%
Pennsylvania	594	139	456	76.7%
Rhode Island	58	16	42	72.9%
South Carolina	139	52	87	62.3%
Tennessee	203	86	118	58.2%
Texas	564	199	366	64.8%
Utah	43	7	36	82.9%
Virginia	208	74	134	64.6%
Washington	151	39	112	74.9%
West Virginia	114	34	80	70.2%
Wisconsin	168	39	129	76.9%
U.S. Total*	9,852	2,883	6,969	70.7%

* Data for Montana and Wyoming and for North Dakota and South Dakota have been combined to produce sample sizes large enough to obtain reliable estimates.

** The U.S. total figures in this table differ from the national figures in the text of the report because the U.S. total figures in this table, like the state figures, are based on pooled Census data for the five years from 1993 to 1997. The national figures in the text are based on data for 1997 only.

Note: The following states have been omitted because the sample sizes in these states are too small to obtain reliable estimates: Alaska, Delaware, District of Columbia, and Vermont.

- In New York, Social Security lowers the poverty rate among elderly women from 55.4 percent to 18.9 percent and lifts half a million elderly women from poverty. About two-thirds of elderly women who otherwise would be poor — 66 percent — are removed from poverty by Social Security.

- Social Security also lifts out of poverty an estimated 456,000 elderly women in Pennsylvania, 366,000 in Texas, 335,000 in Ohio, 324,000 in Illinois, 279,000 in Michigan, and 224,000 in New Jersey. In all of these states except Texas, Social Security lifts from poverty about three of every four elderly women who otherwise would be poor. In Texas, it lifts out of poverty close to two of every three women who otherwise would be poor.

III.   Impacts on Elderly Income and Poverty by Race and Income Category

Social Security has a larger effect than all other government programs combined in lifting elderly people out of poverty. Nine of every 10 elderly people lifted out of poverty by government benefit programs are lifted out by Social Security. (See Figure 2.) In 1997, Social Security lifted 11.4 million elderly people above the poverty line.

Social Security also reduces the *depth*, or severity, of poverty among elderly people who remain poor. Some elderly people have incomes so low that they remain poor even after receipt of Social Security. These individuals are less poor than they would be without Social Security benefits.

Figure 2

Proportion of Elderly Lifted Out
of Poverty by Government Programs

Food, housing benefits
Cash assistance ⌐
Other social insurance

Social Security

A measure that researchers call the "poverty gap" is used to examine the depth of poverty. The poverty gap is the total amount by which the incomes of all poor people fall below the poverty line. In other words, the poverty gap represents the amount of money it would take to lift every poor person exactly to the poverty line. In 1997, the poverty gap for the elderly, before receipt of any government benefits, was $73 billion. This means that without the benefits

of government programs, it would have taken $73 billion to bring every poor elderly person to the poverty line. After counting social insurance programs other than Social Security, the gap was reduced to $70 billion.

Social Security greatly narrows the poverty gap among the elderly. In 1997, Social Security reduced the poverty gap among the elderly from $70 billion to $10 billion. Social Security reduced the depth of poverty among the elderly by more than four-fifths in 1997.

Reductions in Elderly Poverty Over Time

Poverty among the elderly has dropped over the past two decades, primarily because of Social Security. Figure 3 shows elderly poverty rates before and after counting government benefits in 1979 (the first year for which these Census data are available), 1983, 1989, 1993, 1995 and 1997. Approximately half of the elderly population would have been poor in each of these years without government benefits. In 1979, Social Security and other social insurance benefits reduced the elderly poverty rate from more than 50 percent to 17.4 percent. By 1997, the elderly poverty rate after Social Security and other social insurance benefits had declined to 11.9 percent.

Figure 3

Elderly Poverty Rates
Before and After Government Programs

- Before government programs
- After social insurance programs
- After all government programs

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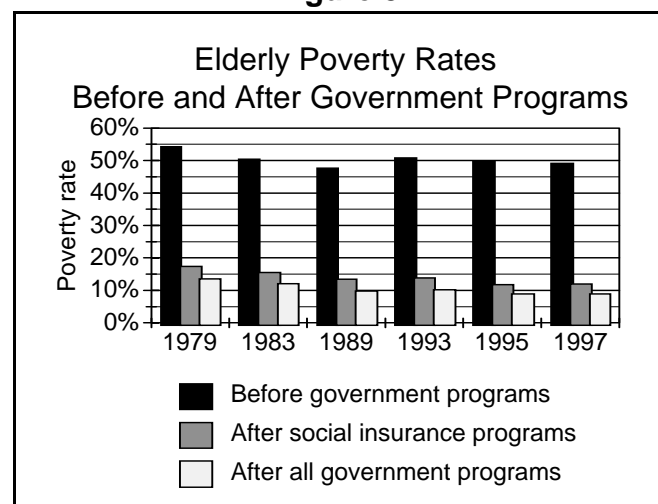
The benefits provided by means-tested programs such as the Supplemental Security Income program, food stamps, and housing assistance reduce the elderly poverty rate further. After the benefits of all government programs are counted, the elderly poverty rate stood at 13.5 percent in 1979 and nine percent in 1997. In every year, however, the impact of Social Security on elderly poverty dwarfed the impact of all other government programs combined.

Social Security and other social insurance programs have become increasingly effective over time in lifting elderly people from poverty. In 1979, Social Security and other social insurance programs lifted from poverty two-thirds of those elderly people who were poor before receipt of government benefits. (See Table 5.) By 1997, Social Security and other social insurance programs removed three-quarters of these elderly people from poverty.

Table 5
Impact of Social Security and Other Social Insurance Programs
on Poverty Among the Elderly in Selected Years

	1979	1983	1989	1993	1995	1997
Percentage of elderly lifted out of poverty by Social Security and other social insurance	68.0%	69.1%	71.6%	72.7%	76.5%	75.7%
Percentage of elderly lifted out of poverty by government programs who were lifted out by Social Security and other social insurance	90.6%	90.9%	90.1%	91.1%	93.2%	92.5%

Social Security is responsible for the vast majority of elderly people lifted out of poverty by government programs. In 1997, some 92.5 percent of the elderly who were lifted from poverty by all government programs combined were lifted out by Social Security and other social insurance programs.

Effects on Elderly by Racial/Ethnic Group

Poverty is higher among elderly people from minority racial and ethnic groups than among white elderly people. In 1997, some 46.3 percent of the white elderly were poor before Social Security.[6] Some 54.9 percent of the Hispanic elderly population was poor that year before receipt of government benefits, as was 59.9 percent of the black elderly population.

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[6] In this report, "white" means non-Hispanic white and "black" means non-Hispanic black.

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Social Security reduces poverty rates by about half or more among elderly people in all three of these groups. When Social Security and other social insurance benefits are counted, the poverty rate for the Hispanic elderly population falls from 54.9 percent to 28.1 percent. Poverty among the black elderly falls from 59.9 percent to 29.1 percent. The poverty rate among the white elderly plummets from 46.3 percent to just 9.1 percent. (See Figure 4.)

After counting the benefits of *all* government programs — including cash assistance and food and housing benefits — poverty rates drop somewhat further to 18.7 percent among the Hispanic elderly, 22.2 percent among the black elderly, and 7 percent among the white elderly.

In numerical terms, Social Security reduced the number of white elderly poor from 12.5 million to 2.4 million in 1997. These benefits cut the number of black elderly poor from 1.6 million to 800,000 and the number of Hispanic elderly poor from 900,000 to 500,000.

Figure 4

Elderly Poverty Rates
Before and After Government Programs

Before Social Security
After Social Security
After all government programs

Among all of these racial or ethnic groups, Social Security alone lifts more than twice as many elderly people out of poverty as all other government benefit programs combined. Some 71.1 percent of elderly Hispanics lifted out of poverty by government benefits are lifted out by Social Security. Similarly, 78.1 percent of all elderly blacks lifted out of poverty by government benefits and 91.3 percent of elderly whites lifted out of poverty are lifted out by Social Security.

Social Security also has a large effect on the depth of poverty among elderly people of all racial-ethnic groups. In 1997, Social Security reduced the elderly poverty gap — the total amount by which the incomes of all elderly poor people fall below the poverty line — by 85.4 percent among the white elderly, 74.1 percent among the black elderly, and 68.3 percent among the Hispanic elderly.

Much of the difference among racial and ethnic groups in the anti-poverty effect of Social Security is due to differences in wages. Social Security benefit levels are tied to beneficiaries' wages during their working years. Many of those who are elderly today worked for years before the passage of civil rights laws, when wage differentials between whites and minorities were even larger than they are today. During these periods, black and Hispanic workers often were limited to low-paying occupations. The smaller impact of Social Security on poverty among the Hispanic elderly also reflects the fact that a substantial number of Hispanic elderly people emigrated to the

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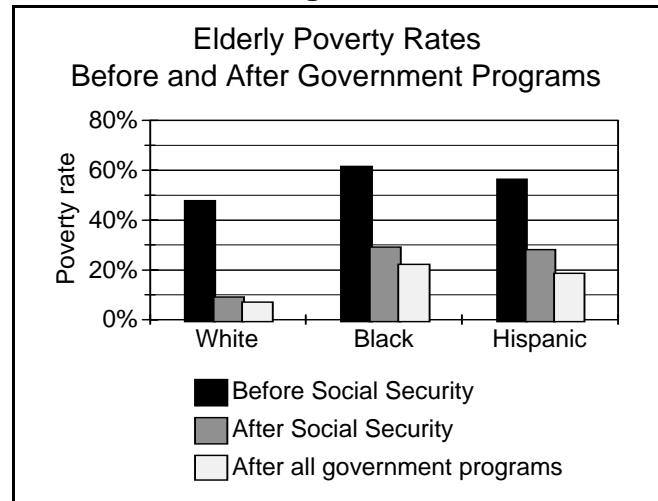
Table 6
Social Security as Proportion of Income of Elderly

	Number of elderly	Proportion of elderly population
Social Security makes up half or more of total income	19.8 million	56.4%
Social Security makes up three-quarters or more of total income	12.6 million	36.0%
Social Security makes up 90 percent or more of total income	8.9 million	25.5%
Social Security is only source of income	5.3 million	15.0%

United States too late in life to amass a sufficient number of years of employment here to qualify for substantial Social Security benefits.

Impact on Elderly Incomes

Social Security makes up a very substantial proportion of the income of the elderly population.[7] For a majority of the elderly, Social Security constitutes at least 50 percent of total income. Social Security constitutes at least three-quarters of income for more than one-third of the elderly. It makes up at least 90 percent of income for one-quarter of the elderly. For 15 percent of elderly people, Social Security is their only source of income.[8] (See Table 6.)

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[7] For the rest of this chapter, which discusses the sources of income of the elderly, the term "elderly" is defined as all persons 65 and over and their spouses, whether or not the spouse also is 65 or over. When looking at the sources of income of elderly people, it is useful to include non-elderly spouses; doing so better captures the total income available to the elderly population. Income is defined here as cash income only, not including government food and housing benefits or tax credits.

[8] The data in this analysis on sources of income of the elderly may differ from the data in other analyses of elderly income sources. Other analyses, such as the Employee Benefits Research Institute's advisory, "Social Security — Important to Low Income Elderly, Minorities," employ different definitions of the elderly population and different definitions of the family unit. The conclusions of this analysis, however, are similar to the conclusions of other analyses of the income sources of the elderly.

Impact on Incomes of Black and Hispanic Elderly

Social Security is an especially important source of income for the black and Hispanic elderly. They depend on Social Security to a greater degree than the white elderly, because they have less income from other sources.

Table 7 displays the percentage of elderly people at all income levels who received income in 1997 from Social Security, earnings, pensions, and investments — the most common sources of income for the elderly.[9]

Table 7
Percent of Elderly People and Their Spouses
With Income from Specified Sources, 1997

	All elderly	White	Black	Hispanic
Total elderly	35.1 million	29.4 million	2.9 million	1.8 million
Social Security	90.9%	92.7%	89.0%	80.4%
Earnings	25.1%	25.2%	23.4%	23.7%
Pensions	41.0%	43.6%	33.1%	23.2%
Investments	65.7%	71.4%	34.5%	32.6%

The table shows that nine of 10 elderly people receive Social Security. Hispanic elderly people are slightly less likely to receive Social Security benefits than white or black elderly people, primarily because a larger proportion of the Hispanic elderly are immigrants.

Black and Hispanic elderly people are much less likely than white elderly people to have income from pensions or investments. Only one-third of the black elderly and one-quarter of the Hispanic elderly have pension income, compared to 43.6 percent of the white elderly. The difference is even greater for investment income. Seven of 10 white elderly people have income from investments, compared to one-third of the black and Hispanic elderly.

The table also shows that about one-quarter of all elderly people have earnings. Some of these are people over 65 married to a younger spouse who is still in the labor force. (See footnote 7 on page 19.)

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[9] Income from investments includes interest, dividends, and rents.

Table 8 shows the percentage of the income of elderly people by race that comes from each source. Social Security provides a larger share of the income of elderly people of all races than any other income source. It is particularly important for black and Hispanic elderly people, providing more than 40 percent of their income.

Table 8
Percent of Total Income of Elderly People and Their Spouses
That is from Specified Sources, by Race, 1997

	All elderly	**White**	**Black**	**Hispanic**
Average income	$32,026	$33,979	$21,469	$19,717
Social Security	36.2%	35.8%	43.4%	41.4%
Earnings	21.6%	20.6%	23.2%	31.8%
Pensions	17.0%	17.2%	21.3%	12.0%
Investments	19.7%	21.2%	6.7%	7.7%
Other income	5.6%	5.3%	5.4%	7.1%

The average Social Security benefit is smaller for black and Hispanic elderly people than for the white elderly, reflecting lower average earnings during their working years. On average, Social Security benefits equal a higher percentage of the wages of blacks and Hispanics than of whites, however, because Social Security benefits replace a higher percentage of the wages of lower-paid workers than of highly-paid workers.

Social Security represents a larger proportion of the total income of the black and Hispanic elderly because other sources provide them with less income. The largest variation is in investment income. Income from investments provides one-fifth of the income of the white elderly but less than 10 percent of the income of the black and Hispanic elderly.

For the black elderly, pensions are a significant source of income, providing over one-fifth of their income, more than the proportion of income provided to the white elderly by pensions. Pensions are a less significant source of income to the Hispanic elderly, providing 12 percent of their income.

The Hispanic elderly rely more heavily on earnings than do either the black or white elderly. Nearly one-third of the income of the Hispanic elderly comes from earnings. The combination of Social Security and earnings provides nearly three-quarters of the total income of the Hispanic elderly.

Impact on the Middle-Class Elderly

Social Security is a very important source of income to middle-income as well as low-income elderly people. In Table 9, the elderly population is ranked by income and divided into fifths. Thus, the lowest-income category contains the fifth of the elderly population with the lowest incomes.

Table 9
Percent of Total Income of Elderly People and Their Spouses
That is from Specified Sources, by Income Level, 1997

	Lowest Income Fifth	Next Lowest Income Fifth	Middle Income Fifth	Next Highest Income Fifth	Highest Income Fifth
Average income	$6,645	$13,734	$21,379	$33,151	$82,029
Social Security	79.9%	80.8%	62.0%	41.5%	17.4%
Earnings	2.0%	3.4%	8.4%	15.3%	31.5%
Pensions	2.6%	5.3%	14.6%	23.8%	18.7%
Investments	3.3%	5.9%	9.3%	13.8%	28.0%
Other income	12.3%	4.6%	5.6%	5.7%	4.5%

Dividing the elderly population by income shows that the importance of Social Security to the elderly varies by income. Social Security makes up four-fifths of the income of the elderly in the lowest two income groups, and three-fifths of the income of the elderly in the middle income category. It even provides two-fifths of the income of the elderly in the next-to-highest income group. But Social Security makes up only 17.4 percent of the income of the highest-income elderly.

Neither earnings nor investments make up a significant portion of the income of the elderly in the low- or middle-income groups. On the other hand, earnings and investments each make up about 15 percent of the income of the elderly in the next-to-highest income group and about 30 percent of the income of the elderly in the highest income group.

Pensions are an important income source for both middle- and upper-income elderly people. Pension income makes up about 15 percent of the income of the elderly in the middle income group, nearly one-quarter of the income of the elderly in the next-to-highest income group, and close to one-fifth of the income of the highest-income group.

Most other sources of income are not significant for any group except those with very low incomes. Other forms of government assistance, such as SSI payments, are an important part of the income of elderly people in the lowest income group.

IV. Social Security Especially Beneficial for Elderly Women

Women benefit more than men from several features of Social Security. Social Security's guarantee of lifetime retirement benefits fully indexed for inflation is most valuable to women, who tend to live longer than men. In addition, the progressive benefit formula, which replaces more of the earnings of lower-paid workers than of more highly paid workers, helps women because they generally have lower earnings than men. Women also are more likely than men to benefit from the program's special provisions for dependent spouses and for widows and widowers.

Women receive more than half of all Social Security retirement and survivor benefits. In December 1997, women received 53 percent of those benefits. Yet women pay only 38 percent of payroll taxes.[10]

Women also make up the majority of those whom Social Security lifts from poverty. In 1997, three of every five elderly people lifted out of poverty by Social Security — 61.5 percent — were women. Social Security lifted seven million elderly women and 4.4 million elderly men out of poverty in 1997. It lowered the number of elderly women from 9.8 million to 2.7 million and reduced the number of poor elderly men from 5.5 million to 1.1 million.

Figure 5

Poverty Rates
Elderly Men and Women

■ Before Social Security
▓ After Social Security
□ After all government programs

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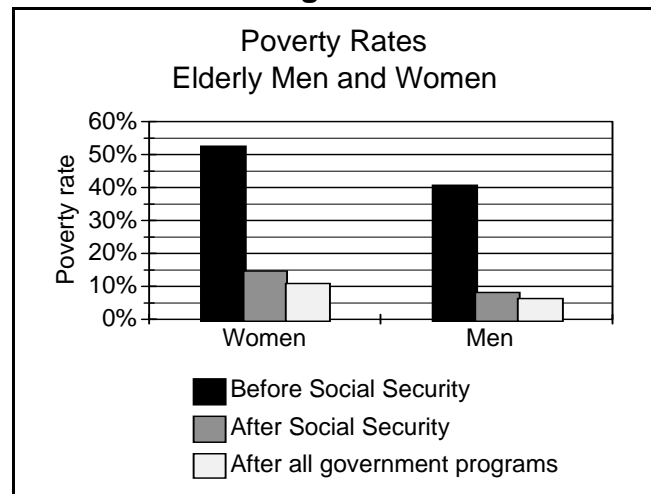
[10] Social Security Administration, Earnings and Employment Data for Workers Covered Under Social Security by State and County, 1995, Table 1, published October 1, 1998 and Annual Statistical Supplement to the Social Security Bulletin, 1998, Table 5.A16.

Women outnumber men in the elderly population, and elderly women are more likely than elderly men to be poor. Before counting the Social Security, 52.6 percent of women age 65 and older lived in poverty in 1997, compared to 40.8 percent of elderly men. After counting Social Security, 14.7 percent of elderly women remained in poverty, as did 8.2 percent of elderly men. Counting all government benefits reduced the poverty rate for elderly women and men still further, to 10.9 percent for elderly women and 6.3 percent for elderly men. (See Figure 5.)

Women Have Less Income from Other Sources

One reason elderly women are poorer than elderly men is that their income from earnings, pensions, and investments is less likely to keep them out of poverty than is the income that elderly men receive from these sources. Women are less likely to have pensions than men, and their pension benefits tend to be smaller. Some 30 percent of elderly women received pension benefits in 1994, either from their own pensions or from the pensions of their deceased husbands, compared to 48 percent of elderly men. Of those who began drawing benefits from private-sector pensions in 1993-94, the median annual benefit was $4,800 for women and $9,600 for men.[11]

Women also tend to have fewer financial assets than men do. In 1993, elderly women who were single heads of household had a median net worth of $9,560, not including home equity. Elderly men who were single heads of household had a median net worth of $12,927, not including home equity, and elderly couples had a median net worth of $44,410, not including home equity.[12]

Not only are elderly women more likely to be poor than elderly men, but the incomes of poor elderly women tend to be farther below the poverty line than the incomes of poor elderly men. As a result, it is more difficult for Social Security benefits to lift elderly women out of poverty than to lift out elderly men. In 1997, Social Security lifted from poverty 70.3 percent of elderly women who were poor without it. In the same year, Social Security lifted from poverty 76.8 percent of elderly men who were poor without it.

Another reason that Social Security lifts a somewhat smaller percentage of elderly women than elderly men out of poverty is that the Social Security benefits of elderly women tend to be lower than the benefits of elderly men. Social Security benefits are based on earnings, and women tend to have lower earnings than men. In 1997, median earnings for full-time female workers

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[11] National Economic Council Interagency Working Group on Social Security, *Women and Retirement Security*, October 1998.

[12] National Economic Council Interagency Working Group on Social Security, *Women and Retirement Security*, October 1998.

were $24,973, compared to $33,674 for full-time male workers. Women also are more likely than men to work part time. In 1997, some 29.5 percent of female workers worked part time, compared to 13.8 percent of male workers.[13]

Women, especially those of the generation that is currently retired, also are more likely than men to have spent a significant part of their adult lives out of the labor force raising children. Of workers retiring in 1966, the typical or median woman had worked 27 years over her lifetime, while the typical man had worked 39 years.[14] Having spent more time out of the labor force reduces women's Social Security benefits.

Figure 6

Poverty Gap
Elderly Men and Women

Another reason that Social Security lifts a slightly smaller proportion of elderly women than of elderly men out of poverty is that elderly women are less likely than elderly men to be married. In 1997, some 40.7 percent of elderly women were married, compared to 72.6 percent of elderly men. As discussed below, Social Security benefits for married couples are higher in relation to the poverty line than benefits for individuals.

Social Security Reduces Depth of Poverty Among Elderly Women

Another way of looking at the impact of Social Security on poverty among elderly women and men is to examine its effect on the poverty gap, which measures the amount by which the incomes of poor people fall below the poverty line. Poor elderly women outnumber poor elderly men, and the incomes of poor elderly women are farther below the poverty line, on average, than the incomes of poor elderly men. Therefore, in 1997 the poverty gap before Social Security was more than twice as large for elderly women as for elderly men — $48 billion for elderly women compared to $22.2 billion for elderly men. (See Figure 6.)

Social Security closes about the same percentage of the poverty gap for both elderly women and elderly men. In 1997, it closed 82.6 percent of the poverty gap for elderly women and 82.1 percent of the poverty gap for elderly men. Because the poverty gap for elderly women was

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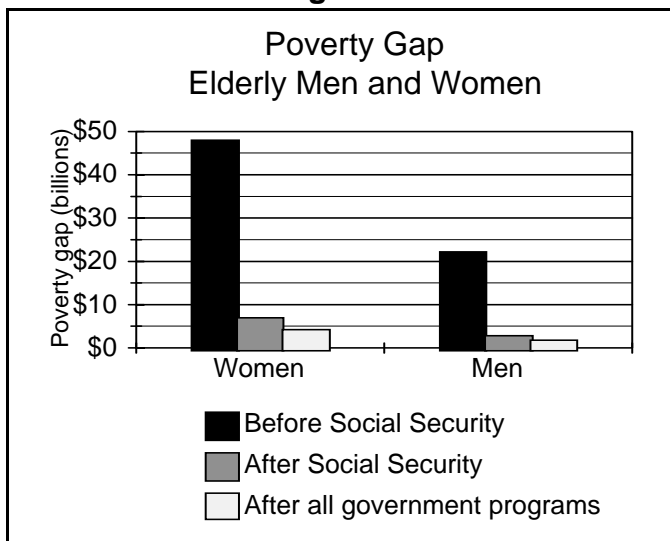
[13] Bureau of the Census, *Money Income in the United States: 1997*, U.S. Department of Commerce, September 1998.

[14] National Economic Council Interagency Working Group on Social Security, *Women and Retirement Security*, October 1998.

so much larger, however, Social Security's contribution toward reducing the depth of poverty was much greater among elderly women than among elderly men. Social Security benefits reduced the poverty gap for elderly women by $41 billion in 1997, while reducing the poverty gap for elderly men by $19.4 billion.

Important Source of Income for All Elderly Women

Social Security is important as a source of income for all elderly women, not just those who are poor. Social Security benefits made up 60.7 percent of the total income of elderly women in 1997.

For nearly two-thirds of elderly women, Social Security made up half or more of their income. (See Table 10.) For two out of five, Social Security constituted at least three-quarters of

Table 10
Social Security as Proportion of Income of Elderly Women

	Number of Elderly Women	Proportion of Elderly Female Population
Social Security makes up half or more of total income	11.8 million	63.7%
Social Security makes up three-quarters or more of total income	8.0 million	42.9%
Social Security makes up 90 percent or more of total income	5.7 million	30.7%
Social Security is only source of income	3.4 million	18.6%

their income. For almost one-third of elderly women, Social Security made up 90 percent or more of their income. Social Security was the only source of income for almost one of every five elderly women.

Effect on Poverty Greatest for Married Women

One way to examine the effect of Social Security on poverty among elderly women is to consider elderly women by marital status. Marital status is an important factor in assessing the impact of Social Security benefits because married women and widows are entitled to special

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Social Security benefits.[15] The proportion of poor elderly women lifted from poverty by Social Security differs significantly by marital status.

The majority of elderly women are either married or widowed. In 1997, some 40.7 percent were married, 45.2 percent were widows, and 14 percent were never married, divorced, or separated.[16] (See Figure 7.)

The poverty rates for widows and other unmarried women are higher than the poverty rate for married women. Without Social Security, 62.1 percent of widows and 56.7 percent of other unmarried women would be poor, compared to 42.2 percent of married women. (These figures are three-year averages for the period 1995-1997.)[17]

Figure 8
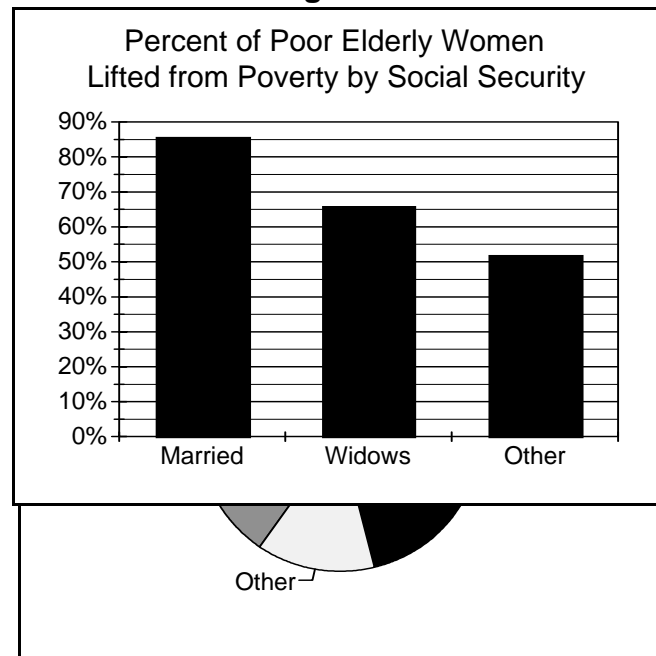
Percent of Poor Elderly Women Lifted from Poverty by Social Security

Social Security lifts from poverty a larger proportion of elderly women who are married than of those who are widowed or otherwise unmarried.

- In 1995-1997, Social Security benefits lifted from poverty 85.6 percent of married women who would be poor without government benefits — six of every seven such women. (See Figure 8.)

- Among elderly widows, Social Security lifted from poverty about two-thirds — 65.8 percent — of those who would be poor in the absence of government benefits.

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[15] Social Security benefits are structured so one spouse can receive Social Security benefits based on the earnings of the other spouse. This is particularly important to women because their earnings tend to be lower than the earnings of their husbands. The lower-earning spouse is entitled to a Social Security benefit based on her own earnings or a benefit equal to half of the benefit her spouse receives, whichever is greater. Similarly, widows and widowers can receive Social Security benefits based on the earnings of their deceased spouses; a widow(er) is entitled to a Social Security benefit based on her own earnings or a benefit equal to 100 percent of her deceased spouse's benefit, whichever is greater.

[16] Bureau of the Census, *Marital Status and Living Arrangements: March 1998 (Update)* (P20-514), Table 1

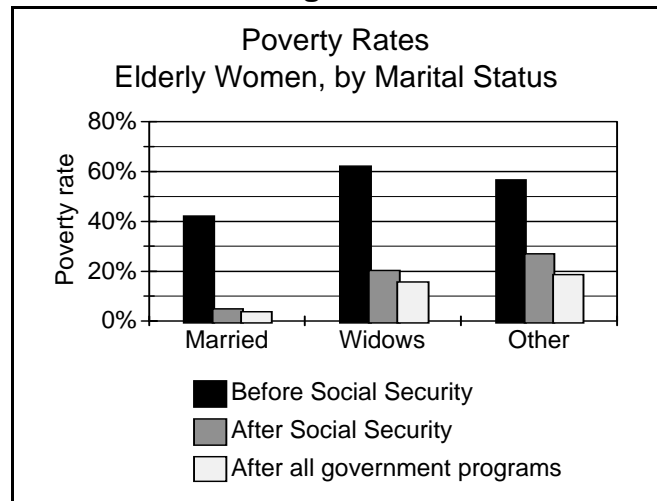[17] This analysis of poverty and income sources of elderly women, by age and marital status, is based on an average of Current Population Survey data for the three years 1995 to 1997. Average data for three years are used in this instance because, when the population is divided by marital status or age group, the number of sample cases in a single year is too small to provide reliable information for all categories.

- Social Security lifted out of poverty about half — 51.8 percent — of other unmarried elderly women who would have been poor without government benefits.

- Social Security reduced the poverty rate for elderly married women from 42.2 percent to 4.8 percent. It cut the poverty rate for elderly widows from 62.1 percent to 20.3 percent and the poverty rate for other unmarried women from 56.7 percent to 27 percent. (See Figure 9.)

One reason that Social Security lifts out of poverty a larger proportion of elderly married women than of other elderly women is that Social Security benefits for a couple are higher in relation to the poverty line than Social Security benefits for a single individual. Under the Social Security benefit structure for married couples, the spouse with lower earnings is entitled to a Social Security benefit equal to half of the higher-earning spouse's benefit. (The lower-earning spouse may receive more than this if she is entitled to a benefit based on her own earnings that is more than half of the benefit of the higher-earning spouse.) As a result, married couples receive *total* Social Security benefits at least 50 percent larger than the benefit of the higher-earning spouse. Since the poverty line for a two-person family is about 28 percent higher than the poverty level for a single individual, Social Security has an especially powerful effect in reducing poverty among married couples. It shrinks the poverty rate for elderly couples to less than five percent.[18]

Social Security also has a strong effect in reducing poverty among elderly widows. It lifts more elderly widows than other unmarried elderly women out of poverty because widows are entitled to a Social Security benefit no lower than the benefit of their deceased husbands. A widow's benefit is the higher of the benefit she would receive based on her own earnings record and the benefit based on her husband's earning record.

Figure 9

Poverty Rates
Elderly Women, by Marital Status

Before Social Security
After Social Security
After all government programs

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[18] In 1995, an expert panel assembled by the National Academy of Sciences recommended changes in the poverty measure. One of the panel's recommendations was that the poverty line for a two-person family be set higher in relation to the poverty line for a single individual. The panel recommended that the poverty line for a two-person family be 40 percent to 70 percent higher than the poverty line for single individual, rather than about 28 percent higher as is currently the case.

By contrast, never-married women and many divorced women are entitled to a Social Security benefit based only on their own earnings. Divorced elderly women who were married at least 10 years and are not remarried are treated the same as current spouses; they can receive spousal and widow's benefits based on their ex-husband's earnings. Divorced women who were married fewer than 10 years are entitled to a Social Security based only on their own earnings records.

Widows Rely Most on Social Security

Although Social Security lifts more elderly married women than other elderly women out of poverty, widows are the group that rely on Social Security benefits for the greatest portion of their income. Social Security made up two-thirds — 67.6 percent — of the total income of elderly widows in 1995-97. Social Security benefits constituted 55.5 percent of the income of elderly married women and 56.3 percent of the income of other unmarried elderly women.

Moreover, nearly three-fourths of elderly widows rely on Social Security for a majority of their income, with more than half depending on it for at least three-quarters of their income. (See Table 11.) For two-fifths of elderly widows, Social Security makes up at least 90 percent of their income. For one-quarter of elderly widows, Social Security is their sole source of income.

Table 11
Social Security as Proportion of Income
of Elderly Women by Marital Status

	Married Women		Widows	Other Unmarried Women
Social Security makes up half or more of total income	56.5%		73.1%	60.3%
Social Security makes up three-quarters or more of total income	31.9%		53.0%	41.5%
Social Security makes up 90 percent or more of total income	20.3%		39.8%	31.0%
Social Security is only source of income	9.5%		24.6%	20.3%

Figure 10
Poverty Rates
Elderly Women, by Age

- Before Social Security
- After Social Security
- After all government programs

Social Security also is an important income source for other unmarried women. It provides a majority of income for three-fifths of these women. For nearly one-third ofthem, Social Security provides at least 90 percent of income. It is the sole income source for one-fifth of these women.

Oldest Women Rely Most on Social Security

As women get older, they are more likely to fall into poverty. Among women age 65 to 75, nearly half — 46 percent — were poor in 1995-97 before Social Security. For older women, poverty rates are even higher. Some 61 percent of those 75 to 85 and 65.3 percent of those 85 and older were poor before counting government benefits. (See Figure 10.)

Social Security benefits not only reduce poverty rates dramatically for elderly women of all ages but also narrow the disparity in poverty rates between the younger elderly and the older elderly. After receiving Social Security benefits, 12.7 percent of women 65 to 75 remain in poverty. Among women 75 to 85, some 16.6 percent remain in poverty after Social Security, while among women 85 and older, 20.6 percent were still poor after Social Security benefits. In all of these age groups, Social Security was responsible for lifting from poverty nearly nine of every ten women lifted out of poverty by all government programs combined.

Just as women become poorer as they get older, so also do they rely more on Social Security as they get older. In 1995-97, Social Security constituted 56 percent of the total income of women 65 to 75, some 66.8 percent of the income of women 75 to 85, and 69 percent of the income of women 85 and older. Similarly, the proportion of women who rely on Social Security for at

least half of their income rose from 57.7 percent for women 65 to 75 to 72.2 percent for those 75 to 85 and 74.8 percent for those 85 and older. (See Table 12.)

Table 12

Social Security as Proportion of Income of Elderly Women by Age

	65-75
Social Security makes up half or more of total income	57.7%
Social Security makes up three-quarters or more of total income	35.9%
Social Security makes up 90 percent or more of total income	25.3%
Social Security is only source of income	14.9%

Figure 11

Proportion of Elderly Women Who are Married, Widows, Other, by Age

The proportion of women for whom Social Security is their sole source of income also increases with age. Some 14.9 percent of women age 65 to 75 relied on Social Security as their only source of income. Some 20.1 percent of those 75 to 85 relied on Social Security as their sole income source, as did 26.4 percent of those 85 and older.

With Increasing Age, Widows Remain Poorest and Most Dependent on Social Security

As women get older, the proportion who are married declines and the proportion who are widows increases. (See Figure 11.) Among women aged 65 to 75 in 1995-97, more than half — 52.1 percent — were married and one-third — 32.6 percent — were widows. In the group of women aged 75 and older, however, the proportion who were married dropped to slightly more than one-quarter — 26.6 percent — and the proportion of widows increased to three-fifths — 61.8 percent.[19]

This decrease in the proportion of married women and increase in the proportion of widows with age is one reason women become poorer as they get older. Poverty rates are

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[19] In the analysis of married women and widows by age, the population is divided into only two age groups — 65 to 75 and 75 and older — rather than into the three age categories used in the rest of the analysis. This is done because the number of married women age 85 and older and the number of widows 85 and older is too small to produce reliable figures. Other unmarried women are not included in this analysis because their numbers are too small to divide by age.

substantially greater for widows than for married women, before and after Social Security and other government benefits are counted.

Social Security benefits greatly reduce the age difference in the poverty rates of elderly women but have less effect in narrowing differences in poverty rates by marital status. After counting the benefits of Social Security, younger and older elderly married women have similar poverty rates, as do younger and older elderly widows. (See Table 13.) But widows continue to have significantly higher poverty rates than married women.

The pattern is similar if one examines income sources rather than poverty rates. Older elderly women rely on Social Security for a larger portion of their income than do younger elderly women, but even younger elderly women who are widows depend on Social Security more than do older elderly women who are married. (See Table 14.)

Table 13
Poverty Rates and Effect of Social Security
on Elderly Women by Marital Status and Age

	Married Women		Widows	
	65-75	**75+**	**65-75**	**75+**
Poverty rate before counting Social Security	38.0%	51.9%	55.5%	66.2%
Poverty rate after counting Social Security	4.7%	5.0%	19.2%	20.9%
Poverty rate after counting all government benefits	3.7%	4.0%	14.6%	16.4%
Percentage of elderly women poor before counting government benefits who are lifted from poverty by Social Security alone	84.3%	87.8%	63.7%	66.9%
Proportion of elderly women lifted out of poverty by government programs who were lifted out by Social Security	93.0%	94.9%	85.6%	88.2%

Table 14
Social Security as Proportion of Income
of Elderly Women by Marital Status and Age

	Married Women		Widows	
	65-75	**75+**	**65-75**	**75+**
Social Security makes up half or more of total income	52.4%	65.9%	67.0%	76.8%
Social Security makes up three-quarters or more of total income	27.9%	40.5%	47.3%	56.6%
Social Security makes up 90 percent or more of total income	17.9%	25.6%	35.9%	42.2%
Social Security is only source of income	8.5%	11.5%	23.0%	25.7%

V. Social Security Reduces Poverty Among Non-Elderly Adults and Children

Social Security also lifts a large number of non-elderly adults and children out of poverty. In 1997, Social Security moved 3.7 million adults aged 18 to 64 and one million children out of poverty. Most non-elderly adults and children who receive Social Security benefits do so because they are disabled, dependents of disabled workers, or survivors of deceased workers.[20]

Social Security benefits are one of the most important forms of government assistance for non-elderly adults. In 1997, Social Security alone lifted from poverty 15.1 percent of all non-elderly adults who were poor before counting government benefits. This is greater than the percentage of non-elderly adults lifted from poverty by any other government program. (See Figure 12.) The 3.7 million adults lifted out of poverty by Social Security made up two-fifths of the 8.5 million non-elderly adults moved out of

Figure 12

Proportion of Adults 18-64 Lifted Out of Poverty by Government Programs

Federal tax benefits

Food, housing benefits

Social Security

Cash assistance

Other social insurance

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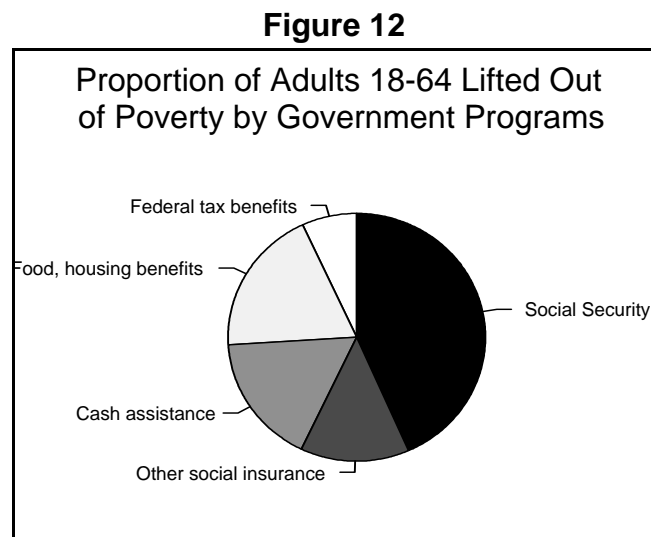
[20] In November 1998, some 7.1 million people received Social Security benefits as the survivors of deceased workers and 6.3 million received benefits as disabled workers or their family members. In addition, adults can receive Social Security retirement benefits once they reach age 62, although individuals who receive retirement benefits before age 65 receive reduced benefits. Non-elderly adults and children also can receive Social Security benefits as dependents of retired workers.

poverty by all government programs, including such programs as cash assistance for needy families.

Social Security also reduced the depth of poverty substantially for non-elderly adults. The poverty gap, or the amount by which the incomes of all poor non-elderly adults fall below the poverty line, was $90.4 billion in 1997 before counting government benefits. Social Security and other social insurance programs reduced this poverty gap by $26.4 billion, closing 29.2 percent of the gap. Social Security contributed more toward closing the poverty gap for non-elderly adults than any other government program.[21]

The proportion of *children* lifted out of poverty by Social Security is lower than the proportion of non-elderly adults lifted from poverty. Nevertheless, Social Security benefits constitute an important part of the safety net for children, lifting from poverty one million children, or six percent of all children who were poor in 1997 before receipt of government benefits. By comparison, means-tested cash assistance programs lifted out of poverty 4.8 percent of children who were poor before government benefits, while food and housing benefits lifted 9.8 percent of these children out of poverty. The net effect of federal income and payroll taxes, including the Earned Income Tax Credit, was to lift 8.8 percent of these children from poverty.[22] Of all children lifted from poverty by government assistance programs, about one-fifth were lifted out by Social Security.

Social Security also narrows the poverty gap for children. Before receipt of government benefits, the incomes of all poor children fell $41.9 billion below the poverty line in 1997. Social Security and other social insurance benefits closed $6.5 billion, or 15.5 percent, of this gap. Cash assistance programs and food and housing benefits closed larger proportions of the child poverty gap.

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[21] Cash assistance programs, such as cash assistance for needy families and SSI, reduced the poverty gap among non-elderly adults by 13.9 percent, while food and housing benefits reduced the gap by 8.6 percent. Federal tax benefits reduced the poverty gap by less than one percent for non-elderly adults in 1997.

[22] While the net effect of the federal tax system was to lift out of poverty 8.8 percent of the children who were poor before counting government benefits, the effect of the Earned Income Tax Credit alone was much larger. The rest of the tax system increases poverty among children, while the EITC reduces it. The EITC alone reduces the number of poor children by 2.4 million, or 14.8 of those who would be poor in the absence of government benefits. The EITC has a larger effect in reducing child poverty rates than any other program or category of program.

References for Figures

Figure 1   Appendix Table A-11, "Poverty rate"

Figure 2, Figure A   Appendix Table A-11, "Of those lifted out of poverty by gov
                            programs"

Figure 3   Appendix Table A-12, "Poverty Rate (in percent)"

Figure 4   Appendix Table A-13, "Poverty rate"

Figure 5, Figure B   Appendix Table A-14, "Poverty rate"

Figure 6   Appendix Table A-20, "Aggregate poverty gap (billions)"

Figure 7   Bureau of the Census, *Marital Status and Living Arrangements:
                            March 1998 (Update)* (P20-514), Table 1

Figure 8   Appendix Table A-15, "Percent lifted out of poverty"

Figure 9, Figure C   Appendix Table A-15, "Poverty rate"

Figure 10   Appendix Table A-16, "Poverty rate"

Figure 11   Appendix Table A-17, "Percent of population in age category"

Figure 12   Appendix Table A-11, "Of those lifted out of poverty by gov
                            programs"

Appendix Tables