

Updated November 5, 2018

## Social Security Lifts More Americans Above Poverty Than Any Other Program

By Kathleen Romig

Social Security benefits play a vital role in reducing poverty in every state, and they lift more Americans above the poverty line than any other program. Without Social Security, 22.1 million more Americans would be poor, according to analysis using the March 2018 Current Population Survey. Although most of those whom Social Security keeps out of poverty are elderly, 6.7 million are under age 65, including 1.1 million children. (See Table 1.) Social Security is particularly important for elderly women and people of color, who have fewer retirement resources outside of Social Security. Depending on their design, reductions in Social Security benefits could significantly increase poverty, particularly among the elderly.

TABLE 1

### Effect of Social Security on Poverty (Official Poverty Measure), 2017

Age Group	Percent in Poverty		Number Lifted Above the Poverty Line by Social Security
	Excluding Social Security	Including Social Security	
Children Under 18	19.0%	17.5%	1,106,000
Adults Ages 18-64	14.1%	11.2%	5,629,000
Elderly Age 65 and Over	39.2%	9.2%	15,333,000
<b>Total, All Ages</b>	<b>19.1%</b>	<b>12.3%</b>	<b>22,068,000</b>

Source: CBPP, based on data from the Census Bureau Current Population Survey, March 2018

### Social Security Lifts 15 Million Elderly Americans Out of Poverty

Most people aged 65 and older receive the majority of their income from Social Security.<sup>1</sup> Without Social Security benefits, 39.2 percent of elderly Americans would have incomes below the official poverty line, all else being equal; with Social Security benefits, only 9.2 percent do. (See

<sup>1</sup> *Policy Basics: Top Ten Facts About Social Security*, Center on Budget and Policy Priorities, August 12, 2018, <http://www.cbpp.org/research/social-security/policy-basics-top-ten-facts-about-social-security>.

Figure 1.) These benefits lift 15.3 million elderly Americans above the poverty line, these estimates show.

A recent study that matches Census survey data to administrative records suggests that the official estimates overstate elderly reliance on Social Security but confirmed that Social Security lifts millions of elderly Americans out of poverty and dramatically reduces the elderly poverty rate. (See Appendix below for more information.)

## Social Security Lifts More Than 1 Million Children Out of Poverty

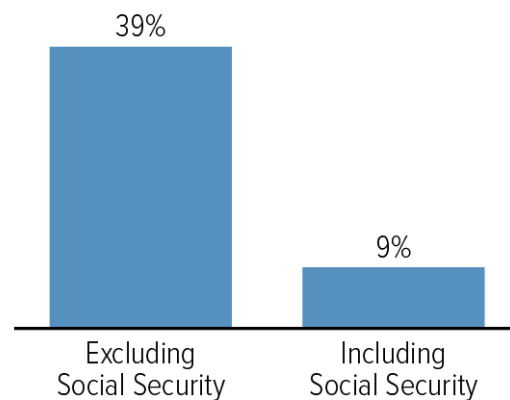
Social Security is important for children and their families as well as for the elderly. About 6.1 million children under age 18 (8 percent of all U.S. children) lived in families that received income from Social Security in 2017, according to Census data. This figure includes children who received their own benefits as dependents of retired, disabled, or deceased workers, as well as those who lived with parents or relatives who received Social Security. In all, Social Security lifts 1.1 million children out of poverty.

Social Security records show that 2.9 million children under age 18 qualified for Social Security payments themselves in December 2017. (See Appendix Table 2.) Of these, 1.2 million were the survivor of a deceased worker. Another 1.4 million received payments because their parent had a severe disability. And 337,000 children under 18 received payments because their parent or guardian was retired.<sup>2</sup>

FIGURE 1

### Social Security Dramatically Cuts Poverty Among Seniors

Percentage of seniors in poverty, 2017



Source: CBPP, based on data from the Census Bureau Current Population Survey, March 2018.

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## Social Security Protects Groups That Are Particularly Vulnerable to Poverty

Social Security is especially important for women and people of color. Women tend to earn less than men, take more time out of the paid workforce, live longer, accumulate less savings, and receive smaller pensions. Social Security brings 9.1 million elderly women out of poverty, as Table 2 shows.

African American and Latino workers benefit substantially from Social Security because they have higher disability rates and lower lifetime earnings than white workers, on average. In addition, African American workers have higher rates of premature death than white workers, and so are more likely to be eligible for Social Security survivor benefits. Latino workers have longer average life expectancies than white workers, which means they have more years to collect retirement benefits. Without Social Security, the poverty rate among elderly Latinos would approach 50 percent, and the poverty rate among elderly African Americans would *exceed* 50 percent.

<sup>2</sup> Social Security Administration, *Annual Statistical Supplement to the Social Security Bulletin*, 2018, Table 5.F4.

TABLE 2

**Effect of Social Security on Elderly Poverty by Sex and Race, 2017**

Demographic Group	Percent in Poverty		Number Lifted Out of Poverty by Social Security
	Excluding Social Security	Including Social Security	
<b>Sex</b>			
Men	34.7%	7.5%	6,272,000
Women	42.9%	10.5%	9,062,000
<b>Race/Ethnicity</b>			
White	37.4%	7.0%	11,899,000
African American	51.7%	19.0%	1,506,000
Latino	46.1%	17.0%	1,257,000
Other	33.2%	11.1%	670,000
<b>Total, Age 65+</b>	<b>39.2%</b>	<b>9.2%</b>	<b>15,333,000</b>

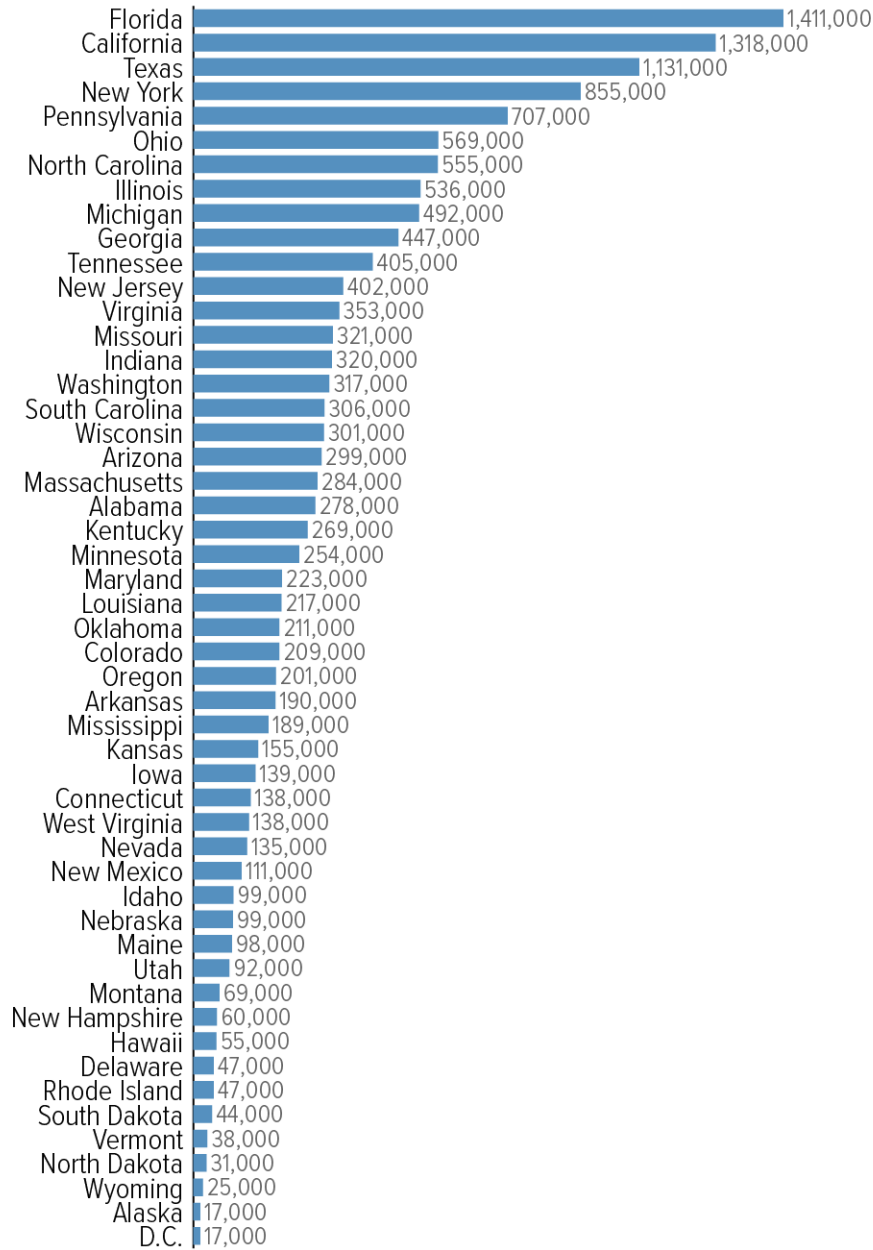
Source: CBPP, based on data from the Census Bureau Current Population Survey, March 2018

**Social Security Reduces Poverty in Every State**

Social Security reduces elderly poverty dramatically in every state in the nation, as Figure 2 and Appendix Table 1 show. Without Social Security, the poverty rate for those aged 65 and over would meet or exceed 40 percent in more than half the states; with Social Security, it is less than 10 percent in two-thirds of states. Social Security lifts more than 1 million elderly people out of poverty in California, Florida, and Texas, and over half a million in Illinois, New York, North Carolina, Ohio, and Pennsylvania.

FIGURE 2

## Social Security Reduces Number of Elderly Poor in Every State



Source: CBPP, based on data from the Census Bureau Current Population Survey, March 2016, 2017, and 2018. Estimates are an average for 2015-2017.

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## Social Security's Effect on Poverty Using the Supplemental Poverty Measure

Unlike the official poverty measure, the Census Bureau's Supplemental Poverty Measure (SPM) counts government non-cash benefits (like food or rental assistance) and tax-based benefits (such as the Earned Income Tax Credit) as income. Comparing across all programs, Social Security is the most important anti-poverty program, according to the Census Bureau.

The SPM also subtracts from a household's income various taxes, work expenses, and out-of-pocket medical spending. The elderly poverty rate is 50 percent higher using the SPM, compared to the official measure, mostly because the elderly spend significantly more of their incomes on health care than working-age adults or children, and the SPM takes health care spending into account. The elderly poverty rate without Social Security would reach nearly 50 percent.

TABLE 3

### Effect of Social Security on Poverty (Supplemental Poverty Measure), 2017

Age Group	Percent in Poverty		Number Lifted Above the Poverty Line by Social Security
	Excluding Social Security	Including Social Security	
Children Under 18	17.5%	15.6%	1,442,000
Adults Ages 18-64	17.3%	13.3%	7,931,000
Elderly Age 65 and Over	48.7%	14.1%	17,653,000
<b>Total, All Ages</b>	<b>22.3%</b>	<b>13.9%</b>	<b>27,027,000</b>

Source: U.S. Census Bureau, The Supplemental Poverty Measure: 2017, Tables A-6 and A-7.  
<https://www.census.gov/content/dam/Census/library/publications/2018/demo/p60-265.pdf>

## Technical Note

This analysis uses the Census Bureau’s official definition of poverty (except for the box that shows the Supplemental Poverty Measure). In determining poverty status, the Census Bureau compares a family’s cash income before taxes with poverty thresholds that vary by the size and age of the family. The poverty thresholds in 2017 were \$11,756 for an elderly individual, \$14,828 for an elderly couple, and \$25,094 for an average family of four.<sup>3</sup> To calculate the anti-poverty effects of Social Security, we determined each family’s poverty status twice — first excluding and then including the family’s Social Security benefits.

Our analysis considers the non-institutionalized population using data from the Census Bureau’s Current Population Survey (CPS), the survey that is used to produce official poverty estimates.<sup>4</sup> Each March the CPS collects information on personal income, health coverage, and other social and economic characteristics for the previous year. The national estimates reported here are for 2017. The state-by-state estimates are based on a three-year average (for 2015-2017) to improve their reliability.

This analysis does not take into account other changes that would occur in the absence of Social Security. If Social Security did not exist, many elderly individuals likely would have saved somewhat more and worked somewhat longer, and many might live with their adult children rather than in their own households. Other studies confirm, however, that Social Security has made a very large contribution to reducing poverty and that cutting Social Security benefits could substantially increase poverty among the elderly.<sup>5</sup>

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<sup>3</sup> Poverty thresholds depend on the size of the family and the ages of its members; this \$25,094 figure is a weighted average for families of four. For more information, see <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html>.

<sup>4</sup> U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2017*, September 12, 2018, <https://www.census.gov/newsroom/press-releases/2018/income-poverty.html>.

<sup>5</sup> Eugene Smolensky, Sheldon Danziger, and Peter Gottschalk, “The Declining Significance of Age in the United States: Trends in the Well-Being of Children and the Elderly Since 1939,” in John L. Palmer, Timothy Smeeding, and Barbara Boyle Torrey, eds., *The Vulnerable*, Urban Institute, 1988; Gary V. Engelhardt and Jonathan Gruber, *Social Security and the Evolution of Elderly Poverty*, National Bureau of Economic Research Working Paper 10466, May 2004.

## Appendix

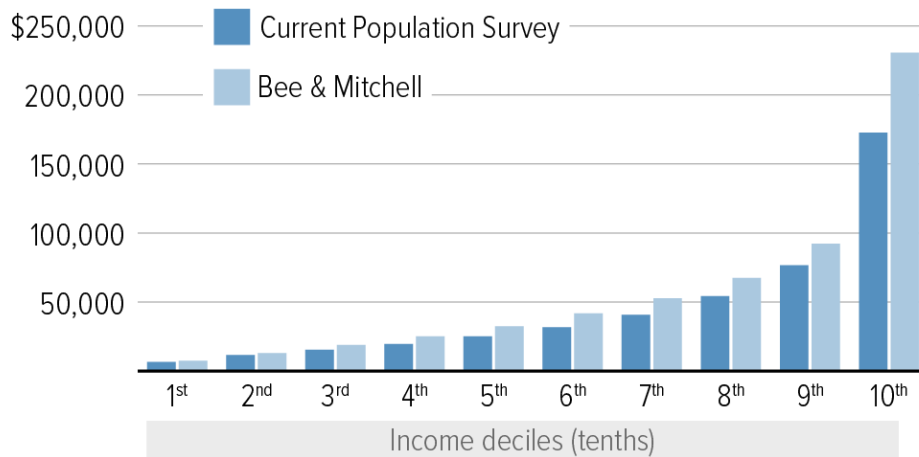
A 2017 study by Adam Bee and Joshua Mitchell of the Census Bureau matched the CPS survey responses used for official poverty statistics to administrative data from the Social Security Administration, Internal Revenue Service, and other government sources.<sup>6</sup> They found that official estimates overstate elderly reliance on Social Security and elderly poverty rates, but confirmed that Social Security lifts millions of elderly Americans out of poverty and dramatically reduces the elderly poverty rate. They did not find significant underreporting of income among people of working age.

Bee and Mitchell found that survey respondents generally reported accurately whether they received Social Security or earnings, but not whether they received pension income. Roughly half of elderly respondents who received pension income (either income from traditional defined-benefit pensions or withdrawals from defined-contribution pensions like 401(k)s or individual retirement accounts) failed to report this, particularly respondents whose pension income was small or inconsistent. On the other hand, respondents who reported receiving Social Security, earnings, or pension income generally reported accurately the *amount* they received from those sources.

APPENDIX FIGURE 1

### Most Elderly Households Have Incomes Below \$50,000

Mean annual income of “aged units,” by income decile, 2012



Note: Census researchers Adam Bee and Joshua Mitchell linked Current Population Survey data to administrative records from the Social Security Administration and Internal Revenue Service for a fuller picture of elderly income. “Aged unit” is generally defined as a couple or an unmarried individual age 65+; it does not include the income of other potential members of the household.

Source: Bee & Mitchell, *Do Older Americans Have More Income Than We Think?*, 2017.

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<sup>6</sup> Adam Bee and Joshua Mitchell, “Do Older Americans Have More Income Than We Think?,” U.S. Census Bureau, SEHSD Working Paper #2017-39, July 2017, <https://www.census.gov/content/dam/Census/library/working-papers/2017/demo/SEHSD-WP2017-39.pdf>.

Most retirees have modest incomes, save for some at the top of the income spectrum. Bee and Mitchell show that most low-income elderly households have very little pension income, if any; the majority of elderly households in the bottom third of the income distribution receive no pension income at all (compared to more than 80 percent of those in the top two-thirds). The study shows elderly households had a median income of about \$44,000 in 2012 (compared to about \$34,000 using the CPS alone, about a 30 percent difference). Further, about 1 in 4 retiree households live on less than \$20,000, and the substantial majority live on \$50,000 or less (see Appendix Figure 1). Meanwhile, the wealthiest tenth of senior households had incomes of \$230,000, on average, Bee and Mitchell report.

Bee and Mitchell's study confirms Social Security's large effect on elderly poverty, but the enhanced data reduce both the elderly poverty rate and the number of elderly lifted from poverty, compared to the official measures. The study estimates an elderly poverty rate in 2012 of nearly 7 percent, rather than the official rate of 9 percent. It also estimates that Social Security lifted about 3 in 10 elderly Americans — 10 million — out of poverty, about one-third lower than official estimates.

Bee and Mitchell's study confirms that Social Security remains the foundation of retirement income. Social Security is the largest single source of income for older Americans, providing the majority of income for half of retirees, and at least 90 percent of income for 18 percent of retirees. These rates of reliance are similar to Health and Retirement Survey and Survey of Income and Program Participation estimates.<sup>7</sup> However, they indicate significantly less reliance on Social Security than the CPS alone, which estimated that about 65 percent of seniors received at least half their income from Social Security, and that 36 percent received at least 90 percent. The study also finds that Supplemental Security Income (SSI) plays a more important role in elderly income than official figures suggest, as many low-income seniors confuse SSI with Social Security.

Bee and Mitchell's data extend only through 2012, and their findings cannot be easily extrapolated to later cohorts of the elderly. Trends strongly indicate that the composition and distribution of retirement income will change significantly. Somewhat surprisingly, Bee and Mitchell found that roughly two-thirds of non-Social Security retirement income was from traditional defined-benefit pensions, which have largely been replaced by defined-contribution plans in the private sector for today's workers. Future retirees will be much less likely to have these pension benefits, and more of their retirement income will come from defined-contribution plans and individual retirement accounts, in which balances are highly unequal.

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<sup>7</sup> Irina Dushi, Howard M. Iams, and Brad Trenkamp, "The Importance of Social Security Benefits to the Income of the Aged Population," *Social Security Bulletin*, 2017, <https://www.ssa.gov/policy/docs/ssb/v77n2/v77n2p1.html>.



APPENDIX TABLE 1

**Effect of Social Security on Poverty Among the Elderly by State, 2015-2017**

	Percent in Poverty		Number Lifted Out of Poverty by Social Security
	Excluding Social Security	Including Social Security	
Alabama	48.3%	10.8%	278,000
Alaska	27.5%	7.4%	17,000
Arizona	36.7%	10.1%	299,000
Arkansas	49.9%	9.7%	190,000
California	35.3%	10.7%	1,318,000
Colorado	33.7%	6.5%	209,000
Connecticut	28.9%	5.3%	138,000
Delaware	37.7%	8.2%	47,000
Dist. of Columbia	34.4%	15.5%	17,000
Florida	45.2%	9.6%	1,411,000
Georgia	46.4%	11.8%	447,000
Hawaii	31.4%	8.0%	55,000
Idaho	45.6%	6.8%	99,000
Illinois	36.0%	8.0%	536,000
Indiana	41.6%	9.5%	320,000
Iowa	35.0%	6.6%	139,000
Kansas	44.9%	9.7%	155,000
Kentucky	49.8%	13.3%	269,000
Louisiana	49.2%	15.2%	217,000
Maine	43.9%	6.5%	98,000
Maryland	33.0%	7.5%	223,000
Massachusetts	35.7%	7.8%	284,000
Michigan	36.5%	6.9%	492,000
Minnesota	35.5%	6.8%	254,000
Mississippi	55.6%	12.7%	189,000
Missouri	41.4%	8.7%	321,000
Montana	42.1%	6.7%	69,000
Nebraska	40.4%	6.5%	99,000
Nevada	38.7%	9.4%	135,000
New Hampshire	33.8%	6.8%	60,000
New Jersey	37.2%	8.5%	402,000
New Mexico	45.1%	11.4%	111,000
New York	37.5%	10.9%	855,000
North Carolina	45.0%	8.6%	555,000
North Dakota	38.9%	9.4%	31,000
Ohio	39.5%	8.0%	569,000
Oklahoma	45.6%	9.4%	211,000

APPENDIX TABLE 1

**Effect of Social Security on Poverty Among the Elderly by State, 2015-2017**

	Percent in Poverty		Number Lifted Out of Poverty by Social Security
	Excluding Social Security	Including Social Security	
Oregon	34.6%	5.4%	201,000
Pennsylvania	39.4%	7.8%	707,000
Rhode Island	36.3%	7.8%	47,000
South Carolina	43.9%	7.5%	306,000
South Dakota	41.1%	10.2%	44,000
Tennessee	45.8%	8.7%	405,000
Texas	43.5%	10.5%	1,131,000
Utah	33.1%	6.3%	92,000
Vermont	41.2%	6.6%	38,000
Virginia	38.9%	8.8%	353,000
Washington	34.5%	6.3%	317,000
West Virginia	49.7%	9.0%	138,000
Wisconsin	38.5%	5.9%	301,000
Wyoming	38.4%	9.1%	25,000
<b>Total, Persons Age 65+</b>	<b>40.0%</b>	<b>9.1%</b>	<b>15,225,000</b>

Notes: Income is family cash income. The poverty rate "including Social Security" is the official poverty rate. We do not include Social Security beneficiaries who live in the territories or abroad in our analysis because the CPS does not collect the relevant data for them.

Source: Center on Budget and Policy Priorities, based on data from the Census Bureau Current Population Survey, March 2016, 2017, and 2018.

**Social Security Beneficiaries by State and Age, 2017**

	Total	Age 65 and Older	Age 18-64	Children Under Age 18
Alabama	1,131,359	742,015	317,027	72,317
Alaska	98,359	70,946	20,237	7,176
Arizona	1,310,666	1,006,004	246,093	58,569
Arkansas	692,178	457,969	189,549	44,660
California	5,858,780	4,540,709	1,080,359	237,712
Colorado	852,635	660,075	155,881	36,679
Connecticut	673,359	527,414	119,780	26,165
Delaware	206,939	157,067	41,348	8,524
Dist. of Columbia	82,253	59,621	18,887	3,745
Florida	4,531,636	3,478,703	865,529	187,404
Georgia	1,790,398	1,253,470	431,136	105,792
Hawaii	266,523	216,357	39,523	10,643
Idaho	335,551	249,368	69,922	16,261
Illinois	2,220,171	1,676,979	447,336	95,856
Indiana	1,335,288	956,813	309,502	68,973
Iowa	638,322	492,194	122,182	23,946
Kansas	544,486	407,613	110,512	26,361
Kentucky	980,991	642,647	278,278	60,066
Louisiana	895,826	602,652	233,808	59,366
Maine	338,770	243,765	79,680	15,325
Maryland	983,736	748,975	188,657	46,104
Massachusetts	1,260,786	937,926	264,108	58,752
Michigan	2,186,709	1,553,896	526,657	106,156
Minnesota	1,012,620	784,547	189,283	38,790
Mississippi	661,656	429,364	186,235	46,057
Missouri	1,281,534	908,800	307,262	65,472
Montana	228,685	174,233	44,774	9,678
Nebraska	340,251	264,346	61,550	14,355
Nevada	521,297	393,957	103,214	24,126
New Hampshire	300,267	219,362	65,358	15,547
New Jersey	1,613,096	1,249,367	295,411	68,318
New Mexico	427,426	307,512	96,235	23,679
New York	3,586,883	2,695,543	735,970	155,370
North Carolina	2,059,436	1,481,565	479,092	98,779
North Dakota	130,831	102,812	22,819	5,200
Ohio	2,337,114	1,705,244	523,726	108,144
Oklahoma	778,970	550,072	183,986	44,912
Oregon	853,498	655,226	168,332	29,940
Pennsylvania	2,795,950	2,083,821	592,887	119,242

## APPENDIX TABLE 2

**Social Security Beneficiaries by State and Age, 2017**

	<b>Total</b>	<b>Age 65 and Older</b>	<b>Age 18-64</b>	<b>Children Under Age 18</b>
<b>Rhode Island</b>	222,851	162,468	50,061	10,322
<b>South Carolina</b>	1,115,313	797,317	261,894	56,102
<b>South Dakota</b>	175,389	137,556	30,644	7,189
<b>Tennessee</b>	1,431,690	994,961	357,258	79,471
<b>Texas</b>	4,126,055	3,013,278	875,515	237,262
<b>Utah</b>	395,718	297,152	74,541	24,025
<b>Vermont</b>	147,683	109,868	31,532	6,283
<b>Virginia</b>	1,501,543	1,117,980	313,783	69,780
<b>Washington</b>	1,319,176	1,005,651	261,711	51,814
<b>West Virginia</b>	473,398	320,384	127,547	25,467
<b>Wisconsin</b>	1,212,439	907,428	256,304	48,707
<b>Wyoming</b>	109,624	82,976	21,696	4,952
<b>Total</b>	<b>61,903,360</b>	<b>45,808,776</b>	<b>13,156,718</b>	<b>2,937,866</b>

Source: Social Security Administration, Annual Statistical Supplement, 2018, Table 5.J5. Includes residents of territories and Americans abroad (not shown).