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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, 21.7 million more Americans would be poor, according to analysis using the March 2019 Current Population Survey. Although most of those whom Social Security keeps out of poverty are elderly, 6.9 million are under age 65, including 1.2 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), 2018

Age Group	Percent in Poverty		Number Lifted Above the Poverty Line by Social Security
	Excluding Social Security	Including Social Security	
Children Under 18	17.8%	16.2%	1,197,000
Adults Ages 18-64	13.5%	10.7%	5,653,000
Elderly Age 65 and Over	37.8%	9.7%	14,810,000
Total, All Ages	18.5%	11.8%	21,661,000

Source: CBPP analysis of data from the U.S. Census Bureau's March 2019 Current Population Survey

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.¹ Without Social Security benefits, 37.8 percent of elderly Americans would have incomes below the official poverty line, all else being equal; with Social Security benefits, only 9.7 percent do. (See Figure 1.) These benefits lift 14.8 million elderly Americans above the poverty line, these estimates show.

¹ *Policy Basics: Top Ten Facts About Social Security*, Center on Budget and Policy Priorities, updated August 14, 2019, <http://www.cbpp.org/research/social-security/policy-basics-top-ten-facts-about-social-security>.

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 2018, 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 1.2 million children out of poverty.²

Social Security records show that 2.9 million children under age 18 qualified for Social Security payments themselves in December 2018. (See Appendix Table 2.) Of these, 1.2 million were the survivor of a deceased worker. Another 1.3 million received payments because their parent had a severe disability. And 339,000 children under 18 received payments because their parent or guardian was retired.³

Social Security Protects Groups That Are Particularly Vulnerable to Poverty

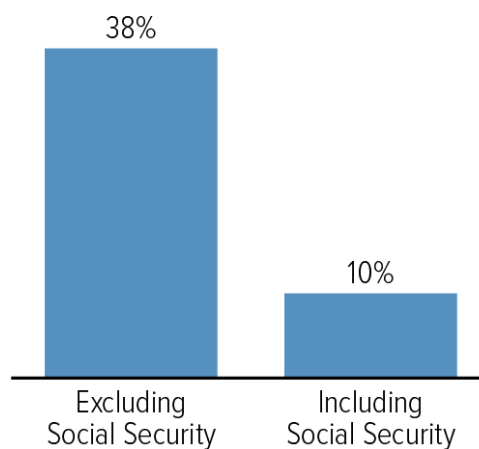
Social Security is especially important for women and people of color. Women tend to earn less than men, take more time out of the paid workforce, live longer, accumulate less savings, and receive smaller pensions. Social Security brings 8.7 million elderly women out of poverty, as Table 2 shows.

Black 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, Black 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

FIGURE 1

Social Security Dramatically Cuts Poverty Among Seniors

Percentage of seniors in poverty, 2018



Source: CBPP, based on data from the Census Bureau Current Population Survey, March 2019

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² CBPP analysis of data from the U.S. Census Bureau's March 2019 Current Population Survey.

³ Social Security Administration, *Annual Statistical Supplement to the Social Security Bulletin*, 2019, Table 5.F4, <https://www.ssa.gov/policy/docs/statcomps/supplement/>

Security, the poverty rate among elderly Latino Americans would approach 50 percent, and the poverty rate among elderly Black Americans would *exceed* 50 percent.⁴

TABLE 2

Effect of Social Security on Elderly Poverty by Sex and Race, 2018

Demographic Group	Percent in Poverty		Number Lifted Out of Poverty by Social Security
	Excluding Social Security	Including Social Security	
Sex			
Men	33.6%	8.1%	6,104,000
Women	41.3%	11.1%	8,707,000
Race/Ethnicity			
White	35.4%	7.3%	11,287,000
Black	50.5%	18.8%	1,525,000
Latino	47.2%	19.5%	1,260,000
Other	35.6%	12.7%	738,000
Total, Age 65+	37.8%	9.7%	14,810,000

Source: CBPP analysis of data from the U.S. Census Bureau's March 2019 Current Population Survey.

Social Security Reduces Poverty in Every State

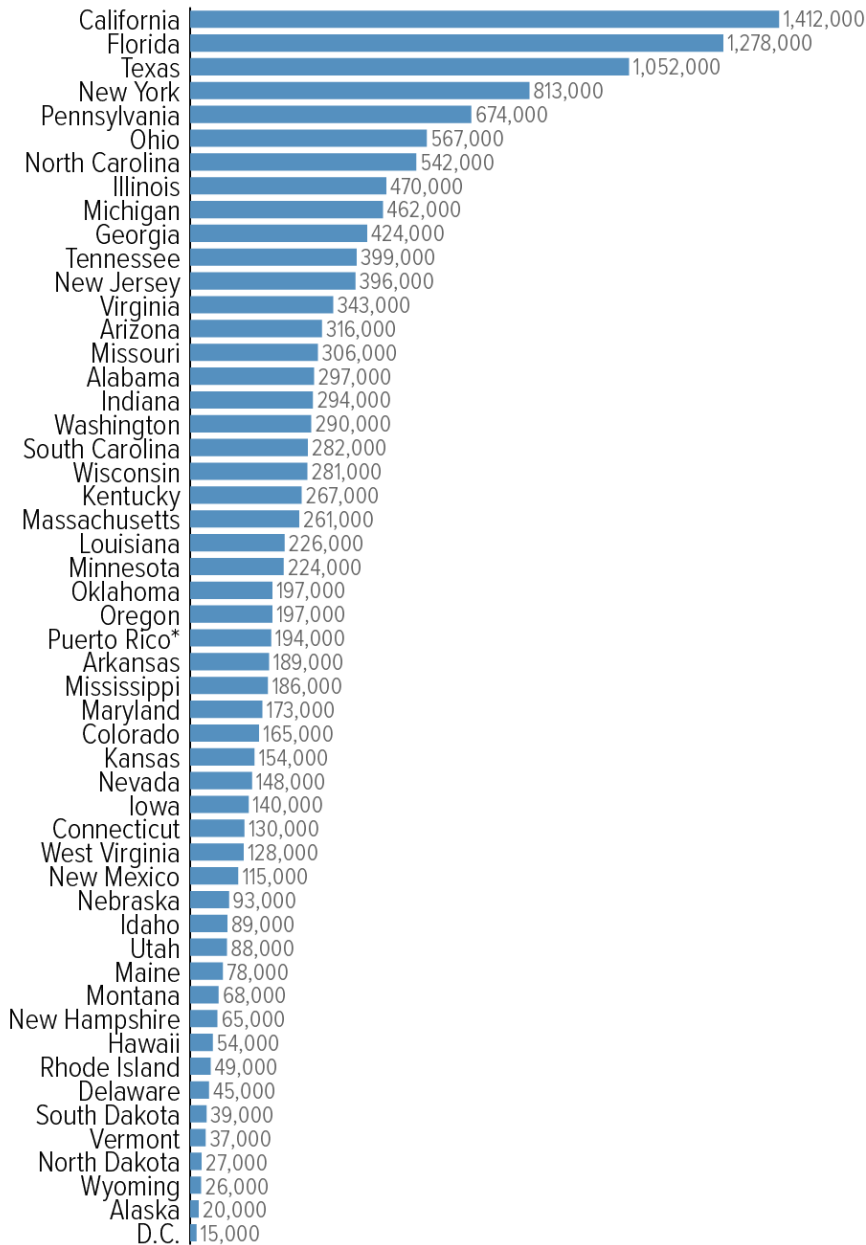
Social Security reduces elderly poverty dramatically in every state in the nation, as Figure 2 and Appendix Table 1 show. Without Social Security, the poverty rate for those aged 65 and over would meet or exceed 40 percent in one-third of states; with Social Security, it is less than 10 percent in two-thirds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

⁴ CBPP analysis of data from the U.S. Census Bureau's March 2019 Current Population Survey.

FIGURE 2

Social Security Reduces Number of Elderly Poor in Every State

Seniors lifted above the poverty line by Social Security, 2016-2018



*The CPS does not collect data on Puerto Rico, so estimates for Puerto Rico are based on the Puerto Rico Community Survey. There are no available data for the remaining territories that would allow for this analysis.

Source: CBPP analysis of data from the U.S. Census Bureau's 2017-2019 March Current Population Survey (CPS) and from the 2016-2018 Puerto Rico Community Survey.

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 including Social Security is 40 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.

Effect of Social Security on Poverty (Supplemental Poverty Measure), 2018

Age Group	Percent in Poverty		Number Lifted Above the Poverty Line by Social Security
	Excluding Social Security	Including Social Security	
Children Under 18	15.7%	13.7%	1,471,000
Adults Ages 18-64	16.2%	12.2%	7,837,000
Elderly Age 65 and Over	47.5%	13.6%	17,897,000
Total, All Ages	21.2%	12.8%	27,205,000

Source: U.S. Census Bureau, The Supplemental Poverty Measure: 2018, Tables A-6 and A-7, <https://www.census.gov/library/publications/2019/demo/p60-268.html>.

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 2018 were \$12,043 for an elderly individual, \$15,178 for an elderly couple, and \$25,701 for an average family of four.⁵ 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.⁶ 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 2018. The state-by-state estimates are based on a three-year average (for 2016-2018) 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.⁷

⁵ Poverty thresholds depend on the size of the family and the ages of its members; this \$25,701 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>.

⁶ U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2018*, September 10, 2019, <https://www.census.gov/newsroom/press-releases/2019/income-poverty.html>.

⁷ 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

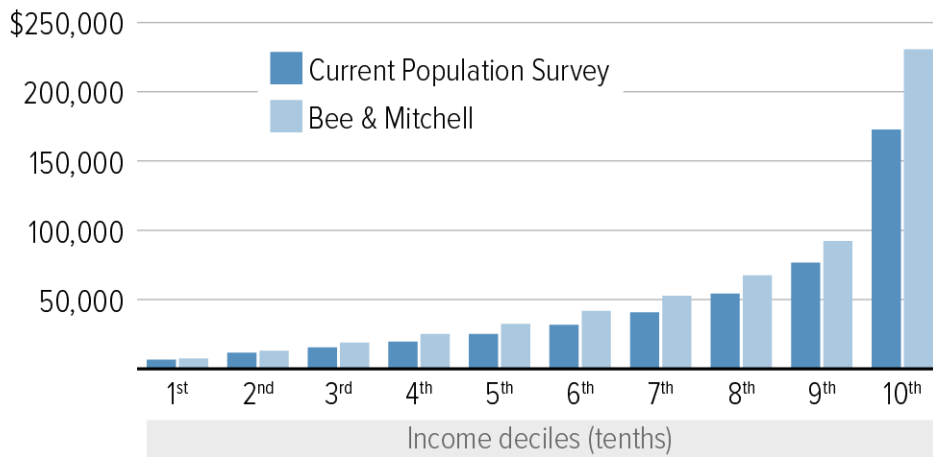
A 2017 study by Adam Bee and Joshua Mitchell of the Census Bureau matched the CPS survey responses used for official poverty statistics to administrative data from the Social Security Administration, Internal Revenue Service, and other government sources.⁸ They found that official estimates overstate 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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⁸ 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.⁹ 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.

⁹ 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, 2016-2018

	Percent in Poverty		Number Lifted Out of Poverty by Social Security
	Excluding Social Security	Including Social Security	
Alabama	48.8%	10.6%	297,000
Alaska	29.8%	7.3%	20,000
Arizona	37.9%	11.4%	316,000
Arkansas	49.7%	11.6%	189,000
California	35.8%	10.6%	1,412,000
Colorado	29.0%	8.5%	165,000
Connecticut	28.4%	6.7%	130,000
Delaware	33.8%	7.5%	45,000
Dist. of Columbia	34.6%	18.1%	15,000
Florida	40.9%	10.3%	1,278,000
Georgia	44.4%	13.3%	424,000
Hawaii	30.0%	8.7%	54,000
Idaho	40.7%	6.9%	89,000
Illinois	33.7%	9.5%	470,000
Indiana	38.4%	9.4%	294,000
Iowa	35.0%	6.8%	140,000
Kansas	40.2%	7.9%	154,000
Kentucky	47.8%	12.3%	267,000
Louisiana	47.1%	14.1%	226,000
Maine	38.1%	8.5%	78,000
Maryland	27.5%	8.4%	173,000
Massachusetts	34.1%	8.9%	261,000
Michigan	35.3%	7.4%	462,000
Minnesota	32.0%	6.9%	224,000
Mississippi	54.8%	13.8%	186,000
Missouri	38.5%	8.5%	306,000
Montana	39.5%	6.4%	68,000
Nebraska	40.7%	8.6%	93,000
Nevada	39.5%	9.4%	148,000
New Hampshire	33.3%	5.1%	65,000
New Jersey	35.5%	8.2%	396,000
New Mexico	45.7%	11.8%	115,000
New York	36.2%	11.0%	813,000
North Carolina	43.3%	10.4%	542,000
North Dakota	35.2%	9.5%	27,000
Ohio	39.1%	8.9%	567,000
Oklahoma	42.6%	10.6%	197,000

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Effect of Social Security on Poverty Among the Elderly by State, 2016-2018

	Percent in Poverty		Number Lifted Out of Poverty by Social Security
	Excluding Social Security	Including Social Security	
Oregon	33.2%	6.9%	197,000
Pennsylvania	38.8%	9.2%	674,000
Puerto Rico*	69.3%	39.3%	194,000
Rhode Island	37.1%	8.8%	49,000
South Carolina	40.5%	8.8%	282,000
South Dakota	37.0%	10.3%	39,000
Tennessee	45.0%	9.3%	399,000
Texas	41.8%	12.0%	1,052,000
Utah	30.0%	6.0%	88,000
Vermont	38.1%	6.4%	37,000
Virginia	36.7%	9.2%	343,000
Washington	33.8%	7.0%	290,000
West Virginia	48.4%	11.0%	128,000
Wisconsin	35.3%	6.3%	281,000
Wyoming	37.3%	9.0%	26,000
Total, Persons Age 65+	38.3%	9.8%	14,590,000

Notes: Income is family cash income. The poverty rate "including Social Security" is the official poverty rate. Source: CBPP analysis of data from the U.S. Census Bureau's 2017-2019 March Current Population Survey (CPS) and 2016-2018 Puerto Rico Community Survey.

* Totals do not include Social Security beneficiaries who live in Puerto Rico, the other territories, or abroad because the CPS does not collect data for them. Estimates for Puerto Rico are based on the Puerto Rico Community Survey.

Social Security Beneficiaries by State or Other Area and Age, 2018

	Total	Age 65 and Older	Age 18-64	Children Under Age 18
Alabama	1,143,125	762,451	311,089	69,585
Alaska	101,402	74,537	19,941	6,924
American Samoa	6,140	2,707	2,036	1,397
Arizona	1,349,458	1,049,491	242,347	57,620
Arkansas	696,936	468,661	185,246	43,029
California	5,962,804	4,682,586	1,049,789	230,429
Colorado	874,819	687,325	151,838	35,656
Connecticut	681,765	538,190	118,022	25,553
Delaware	213,246	163,644	41,140	8,462
Dist. of Columbia	83,059	60,973	18,358	3,728
Florida	4,626,156	3,588,191	853,634	184,331
Georgia	1,830,266	1,299,615	426,570	104,081
Guam	18,228	12,536	3,602	2,090
Hawaii	271,236	222,584	38,194	10,458
Idaho	346,243	261,270	68,941	16,032
Illinois	2,243,286	1,713,948	436,730	92,608
Indiana	1,350,417	981,752	301,668	66,997
Iowa	647,462	504,073	119,917	23,472
Kansas	552,973	419,144	108,237	25,592
Kentucky	989,575	658,874	272,729	57,972
Louisiana	907,733	620,043	230,042	57,648
Maine	344,482	251,573	78,074	14,835
Maryland	1,001,230	770,494	185,348	45,388
Massachusetts	1,273,360	960,157	256,671	56,532
Michigan	2,209,084	1,592,758	514,310	102,016
Minnesota	1,032,697	809,205	185,398	38,094
Mississippi	668,877	441,394	182,780	44,703
Missouri	1,293,897	929,485	300,961	63,451
Montana	233,801	180,677	43,588	9,536
Nebraska	345,725	271,002	60,580	14,143
Nevada	536,855	410,535	102,259	24,061
New Hampshire	305,855	226,999	63,857	14,999
New Jersey	1,625,600	1,272,904	286,859	65,837
New Mexico	436,551	318,723	94,689	23,139
New York	3,627,340	2,756,182	721,788	149,370
North Carolina	2,098,741	1,532,383	469,941	96,417
North Dakota	133,773	105,788	22,722	5,263
N. Mariana Islands	3,038	1,761	795	482
Ohio	2,356,367	1,740,512	510,888	104,967

APPENDIX TABLE 2

Social Security Beneficiaries by State or Other Area and Age, 2018

	Total	Age 65 and Older	Age 18-64	Children Under Age 18
Oklahoma	789,288	563,777	181,302	44,209
Oregon	871,988	679,533	163,425	29,030
Pennsylvania	2,825,178	2,128,654	580,828	115,696
Puerto Rico	821,128	560,552	221,136	39,440
Rhode Island	225,493	166,444	49,026	10,023
South Carolina	1,143,297	829,060	258,925	55,312
South Dakota	178,999	141,884	30,109	7,006
Tennessee	1,452,552	1,024,517	350,102	77,933
Texas	4,224,159	3,129,831	861,291	233,037
U.S. Virgin Islands	21,728	17,384	3,236	1,108
Utah	406,568	309,952	72,830	23,786
Vermont	150,319	113,321	30,936	6,062
Virginia	1,530,417	1,153,798	308,457	68,162
Washington	1,346,820	1,042,649	253,959	50,212
West Virginia	475,744	326,489	124,313	24,942
Wisconsin	1,233,379	934,831	251,180	47,368
Wyoming	112,386	86,041	21,577	4,768
Total	62,906,222	47,159,080	12,888,821	2,858,321

Source: Social Security Administration, *Annual Statistical Supplement to the Social Security Bulletin*, 2019, Table 5.J5, <https://www.ssa.gov/policy/docs/statcomps/supplement/>. Totals include residents of territories and Americans abroad.