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SOCIAL SECURITY LIFTS 13 MILLION SENIORS ABOVE THE POVERTY LINE: A STATE-BY-STATE ANALYSIS

by Arloc Sherman and Isaac Shapiro

Social Security benefits have a powerful poverty-preventing effect among the elderly. An analysis of Census data shows that nationwide, Social Security benefits lift nearly 13 million seniors age 65 and older above the poverty line. These figures reflect a three-year average for the period from 2000 through 2002. The data indicate:

- Leaving aside Social Security income, nearly one of every two elderly people — 46.8 percent — has income below the poverty line.¹
- Once Social Security benefits are taken into account, just one in twelve — 8.7 percent — is poor.

The remarkable degree to which Social Security benefits reduce poverty is found in every state in the nation. As the table on the next page shows:

- Excluding Social Security income, in 17 states *more than half* of the elderly — and, in 45 states, more than 40 percent of the elderly — have incomes below the poverty line.
- With Social Security, the elderly poverty rate in the large majority of states is less than 10 percent.
- In Florida alone, Social Security lifts 1.1 million elderly people above the poverty line, reducing the elderly poverty rate from 50.2 percent to 8.7 percent.

This analysis looks at disposable income and compares it with the federal poverty line, which is now \$9,060 for a single elderly individual, or \$11,418 for an elderly couple. Three years of data are averaged to improve the reliability of the state findings.² The Center's approach to measuring poverty is more comprehensive than the official measure of poverty in that it accounts for more sources of income. It is similar to the approach used by other analysts, including the U.S. Census Bureau in its experimental poverty estimates. (See technical note below.) The data are from the Census Bureau's Current Population Survey, the same survey that is used to produce the government's official poverty estimates.

¹ This analysis does not take into account any changes in behavior that might occur in the absence of Social Security. If Social Security did not exist, some elderly individuals likely would have saved somewhat more and/or worked somewhat longer.

² At the national level, single-year data are reliable and are available through 2002. In that year, if Social Security income is not considered, 47.5 percent of seniors had incomes below the poverty line. Once Social Security benefits are taken into account, 9.0 percent of seniors were poor in 2002.

Effect of Social Security on Poverty Among Seniors

| | Percent below the federal poverty line | | Number lifted above Poverty line by Social Security |
|---------------------------------|--|---------------------------------|--|
| | Excluding Social Security | Including Social Security | |
| Persons age 65 and older | | | |
| US Total | 46.8% | 8.7% | 12,896,000 |
| Alabama | 53.1 | 13.2 | 222,000 |
| Alaska | 31.7 | 5.9 | 11,000 |
| Arizona | 43.2 | 6.8 | 235,000 |
| Arkansas | 58.1 | 11.8 | 180,000 |
| California | 39.8 | 7.9 | 1,065,000 |
| Colorado | 42.9 | 7.3 | 151,000 |
| Connecticut | 37.0 | 5.0 | 157,000 |
| Delaware | 40.9 | 6.0 | 34,000 |
| District of Columbia | 41.8 | 16.3 | 17,000 |
| Florida | 50.2 | 8.7 | 1,116,000 |
| Georgia | 47.8 | 11.8 | 273,000 |
| Hawaii | 27.8 | 5.6 | 35,000 |
| Idaho | 48.0 | 5.1 | 63,000 |
| Illinois | 47.6 | 7.2 | 569,000 |
| Indiana | 51.5 | 8.1 | 341,000 |
| Iowa | 52.9 | 7.4 | 179,000 |
| Kansas | 46.1 | 6.3 | 150,000 |
| Kentucky | 54.6 | 10.7 | 216,000 |
| Louisiana | 49.5 | 12.6 | 192,000 |
| Maine | 56.0 | 7.2 | 97,000 |
| Maryland | 40.1 | 9.0 | 196,000 |
| Massachusetts | 46.9 | 8.4 | 316,000 |
| Michigan | 48.6 | 8.0 | 461,000 |
| Minnesota | 43.2 | 7.7 | 171,000 |
| Mississippi | 53.3 | 15.8 | 120,000 |
| Missouri | 43.8 | 5.8 | 249,000 |
| Montana | 50.6 | 7.8 | 55,000 |
| Nebraska | 47.0 | 8.4 | 79,000 |
| Nevada | 40.6 | 6.0 | 82,000 |
| New Hampshire | 43.6 | 4.9 | 63,000 |
| New Jersey | 45.6 | 6.2 | 456,000 |
| New Mexico | 47.2 | 13.4 | 78,000 |
| New York | 44.4 | 8.4 | 872,000 |
| North Carolina | 50.1 | 12.1 | 370,000 |
| North Dakota | 55.9 | 10.3 | 39,000 |
| Ohio | 46.2 | 6.6 | 563,000 |
| Oklahoma | 48.8 | 10.7 | 171,000 |
| Oregon | 47.8 | 4.7 | 168,000 |
| Pennsylvania | 50.2 | 6.9 | 737,000 |
| Rhode Island | 49.8 | 5.6 | 70,000 |
| South Carolina | 49.2 | 11.6 | 194,000 |
| South Dakota | 51.7 | 8.9 | 44,000 |
| Tennessee | 54.7 | 12.6 | 265,000 |
| Texas | 48.5 | 12.5 | 757,000 |
| Utah | 37.6 | 8.6 | 51,000 |
| Vermont | 54.7 | 7.4 | 35,000 |
| Virginia | 41.8 | 9.1 | 264,000 |
| Washington | 44.7 | 7.2 | 251,000 |
| West Virginia | 58.1 | 9.3 | 137,000 |
| Wisconsin | 44.8 | 7.1 | 253,000 |
| Wyoming | 50.4 | 6.4 | 26,000 |

Note: Income is family cash income after taxes plus EITC and certain non-cash benefits (food, housing, and energy assistance). Figures are three-year averages for 2000 through 2002.

Source: CBPP tabulations of the Current Population Survey for March 2001, 2002, and 2003.

Technical Note

In determining poverty status, the Center looked at family disposable income (that is, after-tax cash income plus food, housing, and energy benefits). This approach results in lower estimates of poverty than the official Census Bureau poverty data, which rely on *pre-tax* income and leave out non-cash benefits.

The Center's calculations are similar to experimental poverty measures used by others, including the U.S. Census Bureau's measure 14a at www.census.gov/hhes/poverty/poverty02/r&dtable5.html ("Percent of People in Poverty, by Definition of Income and Selected Characteristics: 2002 (Revised)"). The Center's approach differs in two ways from the Census Bureau's experimental measure 14a. The Center's approach omits capital gains and losses (due to the absence of reliable state data), but counts the value of low-income home energy assistance. These differences have little combined effect on poverty estimates. The poverty rate among all U.S. seniors in 2002 was 9.0 percent under both definition 14a and the Center approach.³ Under the government's official definition of poverty, the comparable figure was 10.4 percent.

It should be noted that, while there is widespread agreement that the official (cash) poverty measure is flawed, considerable uncertainty remains over the best way to measure poverty. There are questions about the methods used under experimental measure 14a to estimate the value of certain non-cash benefits. There also is controversy over whether the measure of income should be adjusted to include non-cash benefits without adjusting the poverty threshold. The methods used here reflect the limitations of the available data.

³ The figures here reflect data just for 2002; that is, they do not reflect the average over the 2000 through 2002 period.