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CENTER ON BUDGET
AND POLICY PRIORITIES

April 8, 1999

Social Security and Poverty Among the Elderly:
A National and State Perspective

Summary

Kathryn H. Porter, Kathy Larin and Wendell Primus

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.

State-by-State Effects

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

- 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. 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.)

- 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

A copy of the full report that accompanies this summary can be ordered from the Center on Budget and Policy Priorities' Publication Service or is available on-line at www.cbpp.org

CENTER ON BUDGET AND POLICY PRIORITIES

To: Melanne Verveer
From: Bob and Ellen
Subject: Social Security reform and the impact on women

Date: October 21, 1998

Ellen was recently asked by someone at the White House if we had reviewed some of the materials available on the impact of Social Security reform proposals on women, and if we could pull together a few of the most useful pieces. We thought these materials might be helpful to you as well. Perhaps after the election we might have a chance to chat with you about Social Security and related issues for next year.

We've included the following:

- An excellent three-page piece on how Social Security privatization would affect women by Alicia Munnell, a leading Social Security expert.

- A fact sheet on Social Security and women prepared by the Democratic staff of the House Ways and Means Committee. (Both the Democratic staff director of the full Ways and Means Committee and the Democratic staff director of the Social Security Subcommittee of Ways and Means are women.) The fact sheet is based in part on a fact sheet from the Institute form Women's Policy Research.

- A column on Social Security and women by syndicated columnist Jane Bryant Quinn, and two articles by Social Security expert Edith Fierst, who was a member of the 1994-96 Social Security Advisory Council and is a leading expert on Social Security and women.

- Finally, in the event that you would like more comprehensive background, we are enclosing a 17-page issue brief entitled "Social Security Reform: How Might Women Fare?," prepared by the Public Policy Institute at AARP. This is the single best comprehensive background piece now available on these issues and is largely written as a straight policy analysis, not as an advocacy document.

While these pieces cover a number of issues, one feature of these pieces stands out — *consistent warnings that privatization plans that would shift a portion of payroll tax*

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revenues from the Social Security trust funds to individual accounts would hold particular dangers for women, especially divorced women and widows. The Social Security benefit structure contains a number of unique features highly beneficial to women that individual accounts are unlikely to contain. For example:

- Social Security redistributes benefits toward workers who had below-average earnings over their lives. This is beneficial to women both because they have lower average wages than men and because they spend more years out of the full-time labor force. Private accounts contain no such redistribution.

- Social Security provides benefits that last as long as you live and that are fully adjusted for inflation. This is of greatest value to those with the longest life expectancies. Since women have longer life expectancies than men, these features of Social Security are particularly valuable to them.

  By contrast, funds in individual accounts can run out before an aged person dies if the person lives to a very old age, unless the funds in the account have been used to purchase a private annuity. But private annuities are expensive. Moreover, for a private account of a given size, firms provide *lower* monthly annuity payments to women than to men because women are likely to live longer. This is not true of Social Security.

  In addition, when private firms sell joint annuities to a husband and wife, these annuities provide a *lower* monthly payment than a single annuity does, because joint annuities must pay benefits for a longer number of years (i.e., until both spouses die).

  Finally, most private annuities do not adjust monthly benefits for inflation, so the purchasing power of the monthly payments declines with each passing year. All of these problems primarily affect women.

- Women both earn less than men and tend to invest more conservatively. As a result, they would end up, on average, with significantly smaller private accounts.

- Proposals to shift a portion of the payroll tax to private accounts necessarily entail deeper cuts in Social Security benefits; under such proposals, Social Security benefits must be reduced enough to eliminate the current Social Security shortfall and then reduced further to make up for the loss of the payroll tax revenues being shifted from Social Security to private accounts. For example, proposals to shift two percentage points of the payroll tax to private accounts *double* the financial shortfall in Social Security and greatly enlarge the benefit reductions needed to close the shortfall. Most current proposals of this nature include substantial reductions in spouse benefits, survivors' benefits (which mainly go to widows), and disability benefits as part of their effort to reduce Social Security benefits enough to put Social Security in balance while shifting funds to private accounts at the same time.

- By their nature, private accounts cannot provide the protection to spouses, divorcees, and widows that Social Security does. The funds that a private account can provide to a retiree, his current spouse, and possibly to a former spouse are strictly limited to the money in that account. If money from the account goes to an ex-spouse, less is left for the retiree and his current spouse. It is a zero-sum game.

  This is not true of Social Security. Based on a single retiree's earnings record, Social Security benefits can be paid to the retiree, his current spouse, and all divorced spouses who were married to him at least 10 years and are not currently married. The level of benefits paid to the retiree, his current spouse, and one or more divorced spouses are set by law — these benefit levels do *not* affect each other. Payment of a benefit to one beneficiary does not lower the payments to other beneficiaries.

  It is very likely that replacing a portion of Social Security benefits with private accounts will result in significant reductions in income for elderly women who are divorced. Such women would probably be able to gain access to funds in their ex-spouse's individual account only by going to divorce court. Moreover, the court would be limited in what it could provide a divorced woman from her ex-husband's account by the need to leave adequate funds in the account for the husband and his current spouse.

Why Social Security Privatization Would Hurt Women

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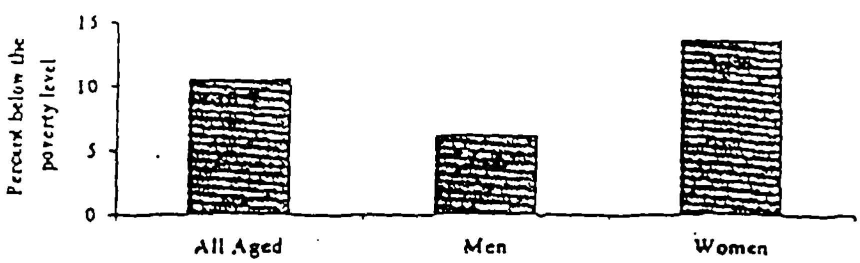
Proposals to replace some or all of the existing Social Security program with a new system of personal retirement accounts would undermine the financial security of older women. Poverty among women over 65 is already twice as severe as among men over 65 (Chart 1). The current Social Security program recognizes this problem, and its benefit structure compensates for two important characteristics of women: They are likely to have earned less than men, and they are likely to live longer. Privatization proposals currently being considered make no provision for these differences, and thus would make the poverty problem for women even worse.

Chart 1. Poverty Status of Persons 65 Years and Older by Sex, 1995

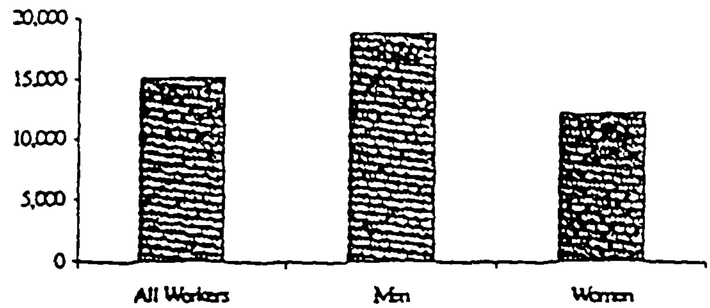


Source: U.S. House of Representatives, Committee on Ways and Means, *1998 Green Book*, May 19, 1998, Table A-6

Although the percentage of working-age women who hold jobs is much higher now than when Social Security was new (60 percent today versus 28 percent in 1940), their careers continue to be different. Women tend to spend fewer years in the workforce than men, since they interrupt their careers to care for young children or elderly parents. For the same reasons, women are also more likely to work at part-time rather than full-time jobs. And even when they work full time, women are likely to be paid less than men. As a result, median earnings for women are far below those for men (Chart 2).

A system relying even in part on personal savings accounts would perpetuate these differences into retirement. Unless special provisions were enacted, a woman's overall retirement benefit would depend on her contributions into her personal account and the earnings on those contributions. Because of lower earnings and less time in the labor force, these contributions and earnings would, on average, produce very low retirement benefits.

Chart 2. Median Earnings of Workers Covered by Social Security, 1994



Source: From the Social Security Administration website, online version of Social Security Bulletin, *Annual Statistical Supplement, 1997*, Table 4.B6, see: http://www.ssa.gov/statistics/supp97/pdf/t4b6.pdf (as of September 8, 1998).

Although Social Security's benefit rules are gender-neutral, they are particularly helpful for women. First, the progressive benefit formula provides proportionately higher benefits for low earners than for high earners. Second, for the woman who spends her career taking care of her family, Social Security provides a retirement benefit equal to 50 percent of her spouse's benefit. Third, for the homemaker who becomes divorced after at least 10 years of marriage, Social Security provides a retirement benefit based on her former spouse's benefits. Fourth, for the older woman whose husband dies, Social Security provides widow's benefits equal to 100 percent of her husband's benefits. Fifth, if a younger widow's children are getting survivors' benefits, she also receives benefits while she is caring for them and not working.

Even with more women in the labor force, these family benefits remain importan.. In 1996 the majority (63 percent) of woman beneficiaries aged 62 and older were receiving wives' or widows' benefits; 37 percent had no earnings history and were entitled only as a wife or widow; and 26 percent had a higher benefit as a wife or widow than as an earner.

In addition to providing benefits to compensate for lower lifetime earnings, Social Security has two features that compensate for the fact that women live longer than men. Life expectancy at age 65 is currently 19.2 years for women compared to 15.6 years for men (Table 1). Because Social Security pays benefits for life, it supports women who outlive their spouses. And because benefits are adjusted annually for changes in the cost of living, their buying power is protected against being eroded by inflation — a protection that increases in importance with every passing year. Without such protection, even a modest 3 percent inflation rate cuts the purchasing power of a $100 benefit to $74 after 10 years and to $55 after 20 years.

Table 1. Life Expectancy at Age 65, for Individuals Reaching 65 in Selected Years, 1997-2025

Life Expectancy (in Years)		
Year	Male	Female
1997	15.6	19.2
2005	16.0	19.5
2015	16.4	19.8
2025	16.8	20.2

Source: *1998 Green Book*, Table 1-53

With personal retirement accounts, on the other hand, benefits are not automatically converted to a lifetime annuity or protected against being diminished by inflation. If individuals receive their money in a lump sum, they risk exhausting their assets before they die — a risk that is compounded by the absence of inflation protection. In theory, annuity and inflation protection could be purchased separately, but private annuities are very expensive to purchase and inflation-adjusted annuities are nonexistent in the United States.

In short, the present Social Security system offers a range of protections — progressive benefits formula, dependents' benefits, lifetime benefits, and inflation adjustments — that are of great importance to women and are not duplicated by any of the proposals to privatize the system. These are established rights, promised by law. Women should be very reluctant to give them up for an untried system that relies on individual investments for even part of their basic retirement income.

SOCIAL SECURITY REFORM AND WOMEN
FACT SHEET

Social Security is very important for women.

Sixty percent of Social Security beneficiaries are women and Social Security is often the only source of retirement income for a majority of these women. Women are heavily reliant on Social Security benefits because of wage and employment discrimination and different patterns of labor force participation. These patterns are not expected to change in the future.

- *Most women do not receive private pensions.* Only 38 percent of women receive employer-provided pension benefits compared to 57 percent of men. This is especially problematic for minority women who are less likely to have employer-provided pension plans than either white men, white women, or nonwhite.

- *Women earn less than men.* Women who work full-time earn less than men who are employed full-time. The average woman college graduate earns little more than the average male high school graduate. Women earn 74 cents for every dollar men earn.

- *Women are more likely to work part-time.* Seventy four percent of men between the ages of 25-44 were employed full-time for all of 1996 compared to 49 percent of women in the same age group.

- *Women are more likely to spend time out of the labor force.* Twenty one percent of women, between the ages of 25-44, were unemployed in 1996 compared to only 7 percent of men. Many of these women are mothers of young children.

- *Women are more likely to live alone in their retirement years.* Retired men, who are more likely to be married, have better financial security upon retirement because they receive two Social Security benefits: one for themselves and one for their wives. Elderly women living alone receive only one benefit.

Plans to privatize Social Security could have an adverse impact on women.

Proposals which reduce Social Security's guaranteed benefits to make way for individual accounts could disproportionately hurt women--making women more vulnerable to the risk of private investments and poverty if expected returns are not realized

- *Private accounts could disadvantage women because they earn less than men.* Because private accounts are based solely on deposits into the accounts (which are strictly proportional to workers' earnings) and on the investment performance of the accounts, women would earn less (even if the market were stable) than their male counterparts from private accounts.

- *Private accounts could adversely impact women because they are more likely to work part-time and spend time out of the labor force.* Private accounts require that individuals work full time for forty years or more in order to receive the expected total value of their accumulated retirement fund. Privatization proposals, therefore, would punish women for taking time off to care for their children and family members.

- *Privatization proposals significantly reduce spousal benefits.* Because women take more time out of the workforce and earn less than men, married women are more reliant on the higher spousal benefits earned by their husbands. Privatization plans propose to cut spousal benefits by one-third, leaving women with a benefit near poverty-level.

- *Private accounts could penalize women for making different investment decisions than men.* Economists have found that women are "risk averse" or less likely to make risky investments. By investing less in riskier assets, women and low wage workers also benefit less from the *potential* rates of return that stocks could generate. Privatization proposals would punish women for making prudent financial decisions!

- *Private accounts could give women smaller retirement checks even if they have the same work history as men.* Annuity companies would adjust women's retirement benefits downward since women live longer than men.

The Social Security benefits that women receive are *guaranteed for life.*

Unlike private individual accounts, Social Security benefits are safe, reliable, and guaranteed for life.

- *Social Security benefits protect against inflation.* The cost-of-living increases built into Social Security provide an important anti-poverty protection for women. Private investments do not protect against inflation or devalued investments.

- *Social Security lasts as long as you live.* Women live an average of 7 years longer than men. Whereas Social Security provides monthly benefits for as long as a retired person lives, private accounts place women in danger of outliving their accumulated funds.

Washington Post
Washington, DC
Februray 8, 1998

JANE BRYANT QUINN

Women, Be Wary of Social Security Change

In his State of the Union address, President Clinton said he would use any budget surplus first to save the Social Security system.

But women, in particular, need to take a hard look at any "reforms" Congress proposes.

On average, women gain relatively more than men from Social Security today. That's because it favors lower earners and dependents, most of whom are women and children. Some of the reforms would erase this advantage.

Workers like to calculate how much more their money might earn if invested in stocks rather than paid in Social Security taxes. But they often forget that their taxes buy other benefits, too.

For example, when workers die, their spouses and young children are eligible for monthly benefits—so Social Security provides life insurance.

Retirees who had low or spotty earnings during their working years (usually women), and don't get much personally out of Social Security, can collect a higher benefit through their spouse's account. So there's retirement-income insurance, too.

The program includes divorce insurance. The divorced can collect on an ex-spouse's account if the marriage lasted at least 10 years. So a divorced, single woman isn't abandoned financially in old age.

These payments to a former spouse don't take one penny away from the worker or current spouse. Everyone has a safety net.

It even includes inflation insurance. Your check rises annually with the inflation rate.

These would be costly insurance plans if workers had to buy them from private insurers. Without them, dependents and ex-dependents would be at risk.

Many of the reform proposals would cast off or slash the social insurance plans and use part or all of the Social Security tax for some form of mandatory 401(k).

Money would be diverted from your paycheck into a personal account. You could decide where to invest it. Your standard of living in retirement would depend on how large this nest egg grew.

How would life differ for women under these privatization proposals? Each plan is a little different. But the government's General Accounting Office has provided some broad answers in a study requested by Rep. Barbara B. Kennelly (D-Conn.). Said the GAO:

- Benefit payments: Women on average earn less than men, so less money would go into their investment accounts. Social Security helps low earners by raising their benefits a bit. That wouldn't happen in private accounts. Those accounts might yield more for your money than Social Security does, but the gap between men's and women's retirement income would grow.
- Investment returns: Women tend to be more conservative investors than men. If stocks did poorly for a long period of time, their conservatism would pay. But if stocks did well, their cautious investing would leave them even further behind men's retirement incomes.
- Longevity: Women with the same earnings and investments as men could wind up with lower monthly incomes because they tend to live longer. They would have to draw less from their accounts to be sure the money lasted a lifetime.

In the Social Security program, people who had equal incomes get equal monthly benefits for life.

You also could get equal payments from a private plan. The government might decree that, if you bought a lifetime annuity, you would be charged a unisex rate obtained by averaging male and female life spans.

But men wouldn't like that. Their incomes would be lower than if they paid the "male" rate.

- Divorce: None of the plans provide monthly payments to an ex-spouse. My crystal ball sees more impoverished divorcees.

Some reformers would split the investment account at divorce. That helps the unemployed spouse at the worker's expense but has no guarantee that spouse will get the same income that Social Security now pays.

- Spouse protection: When a worker dies today, a spouse can get 100 percent of the worker's monthly Social Security benefit for life.

With private savings, the retired worker can take money as needed, in a lump sum or as a lifetime annuity. So spouses get no income guarantees.

A private investment account might give a spouse more than Social Security pays. It also might give less. That depends on life's tragedies, how the money is invested and how the stock market behaves.

We all need private savings. But dependents, in particular, also need a Social Security guarantee.

ALICE COULD STILL LIVE HERE — WITH SOCIAL SECURITY

By Edith U. Fierst

Recently I watched an old movie, "Alice Doesn't Live Here Any More," a very popular film when it came out in 1974. Readers may remember it as the story of a 35-year old woman whose husband was killed in an accident, leaving her without income. She sold her home and its contents and with her son, Tommy (then perhaps 11 years old), began to travel drearily around the country seeking work. What she found were low-paying and, in some cases, seedy jobs. Eventually she was saved by a new man, played by Kris Kristofferson.

When the movie first came out, it was seen as raising important feminist issues. Was it true that a young woman, unexpectedly widowed, couldn't make it without a man to support her, as the movie suggested? What should women do to avoid a catastrophe like hers?

What I don't remember is any discussion about the Social Security that would have supported Alice if only she had applied. Why didn't she? Obviously it would have spoiled the plot, but its benefits would have made life much better for her and her son, at least until Kris Kristofferson came along. Tommy would have been eligible for monthly payments until he reached 18, or if he was still in school, until he was 20. If he was disabled, he would have been entitled to benefits for life. In addition, Alice would have been eligible to receive benefits for herself as a widowed parent until Tommy reached age 16 or, if he was disabled, until he recovered from his disability.

If Alice's husband had been an average earner, Alice and Tommy were respectively 35 and 11, and this was taking place in 1998, their combined monthly Social Security benefits would be $1,454. (If Alice earned more than $9,120 this year, her benefit would be reduced by half of her earnings above that amount. If she earned more than about $15,000, her benefit would be eliminated, but her son would still get $727 a month.)

When Tommy reached his 16th birthday in 2003, Alice would have to become self-supporting until she reached age 60. But she would then be eligible for a widow's benefit of $1,908 a month.

If Alice were disabled herself, she would be eligible for widow's benefits at age 50 rather than 60. Moreover, Alice could increase her benefits in old age by waiting until normal retirement age — now 65 — before starting to collect her widow's benefit (or by earning enough to qualify for a benefit larger than her widow's benefit).

These Social Security benefits would have enabled Alice to stay in her home rather than sell it and to keep Tommy in his familiar school and neighborhood instead of, as in the movie, leaving him alone in lonely motel rooms while she hunted for jobs and worked. When she was ready to enter the workforce, Social Security would have supported her and Tommy while she trained or looked for work.

Some people argue today that women like Alice would be better off if instead of Social Security, her husband had established a privatized account. A look at the figures shows how unlikely it is that a privatized system would be better for her. Social Security's actuaries estimate that to obtain equivalent income to what Social Security would provide for her and Tommy, she would need to receive a lump sum of about $150,000. If her husband had been three years older than she and had gone to college before entering the workforce, he would have worked for 17 years before his death. If he had average earnings and saved five percent of them in a privatized account, it is highly unlikely his individual account would have accumulated anything close to $150,000. In addition, after his death, the much touted magic of compound interest wouldn't help much because interest is payable only on money that is not spent, and Alice and her son would have begun using the money for their support during the period right after she became a widow.

Recently on a CBS news program, a woman in Galveston, Texas, in a public employment job not covered by Social Security, described the nest egg she had been able to acquire in a privatized account established as an alternative to Social Security. She thought she was better off than under Social Security. But her next egg totaled $85,000, only a little more than *half* the present value of the benefits to which Alice would be entitled. If she became a widow with children — clearly a possibility at the age she appeared to be — or if she became disabled, her nest egg could not offer her anything close to what Social Security would have provided.

To be sure, there are circumstances in which privatization might be better for some individuals, such as those who never marry, have children, or become disabled. They could acquire a significant savings account, provided their investments are well-chosen, and the market does not go down when they are ready to retire. But who can be sure ahead of time he or she will have such a life? Who would risk their security on the guess that they will? Perhaps the same kind of person who does not buy fire insurance because it seems unlikely the house will burn down.

As Americans looking to the future, do we want to abandon or curtail Social Security for privatized accounts in the hope some of us will strike it rich? I'd like to see everyone become rich. But I'm not prepared to sacrifice the guaranteed protection for widows, surviving children, disabled people and people who live until a very old age, among others — as well as people who don't know how to invest wisely — so some of us can grow wealthier. Why not let those who can afford it save more on their own, but keep the vital safety net Social Security provides? None of us knows for sure when we will need it badly.

Edith U. Fierst was a member of the 1994-1996 Advisory Council on Social Security.

WOMEN AND A PRIVATIZED RETIREMENT

By Edith U. Fierst

When I was in my teens, a scandal in our small suburban town shocked the community. A husband of 20 years, father of four children, one of whom was my friend, a man deemed a pillar of society, walked out on his wife to marry another woman. Today a departure like his has become more commonplace, but when I was in high school, it didn't happen. Everyone, including the teenagers talked about it. But one subject we never considered was what the wife would live on as she approached old age in the years to come. She was short and fat, well into her fifties, unlikely to marry again, and a consummate housewife, unequipped to earn a living. Would the husband pay her adequate alimony? Suppose he died and the alimony expired, what would she then do?

Today many people, especially young women planning their lives, ask that question. One important answer is Social Security. Sometimes it is the only answer. Under current law, Social Security pays:

- *A spouse benefit* to a married woman or one divorced after 10 or more years of marriage. This benefit equals the difference between the Social Security benefit she earned herself and an amount equal to *half* of her husband's benefit if it is larger. The spouse benefit is payable while the husband lives.
- *A survivor benefit* to a widow or widower, including one who was divorced after 10 years of marriage. This benefit is the difference between the benefit she earned herself and the *full* amount of the worker's benefit, if it is larger.

Both spouse and survivor benefits are paid from the Social Security trust fund to those eligible. These benefits are guaranteed by law. Such benefits now provide a basic minimum income for millions of elderly women, enabling them to live with self-respect independent of their children. These benefits also provide invaluable peace of mind to younger women who know they can count on these benefits. To the extent Social Security were to be privatized, the financial independence and peace of mind that spouse and survivor benefits now provide to these women could greatly diminish.

Under privatization, payroll taxes would be directed into private individual accounts instead of into the trust fund. Control of the private accounts would vest in the worker who paid the tax. Any payment to the wife would come from payments that would otherwise go the worker, giving him an incentive to resist or limit sharing with her.

This would change the psychology of the financial relationship of the couple. Today no one objects to Social Security payments to a spouse, even if estranged or divorced, since the benefits are paid by the trust fund and *there is no reduction of benefits* *to the retiree himself.* Any woman who has been married 10 years or more is entitled to a spouse or survivor benefit based on marriage. Indeed, the earnings record of a much-married man could be the basis for benefits to several former spouses to whom he was married for 10 or more years, as well as to a current wife to whom he need not have been married that long. (Note: A woman may not collect benefits based on more than one marriage. Her spouse and survivor benefits are based on the earnings of the husband with the highest earnings, except that spouse benefits must be based on the earnings of her current husband if she married him before reaching age 60.)

To the extent benefits were privatized, payments to a spouse could depend on the willingness of the worker to share the funds in his personal account, as well as on the success of his investments. Since any benefits a current or former spouse received would come from his account, a retired worker would have an incentive to resist or limit such sharing. To be sure, under some partial privatization proposals, account owners would be required to purchase survivor annuities for their spouses unless the spouses waive their right to such benefits. Except for such limited requirements, however, privatized benefits would generally be under the unrestricted control of the retired worker, who would have complete freedom over how to spend them.

Payments to a spouse from the privatized portion of Social Security would compete with other uses the owner of the account might find necessary or appropriate. For example, the owner of a privatized account with good intentions might be forced to spend his savings on nursing home care for himself or his spouse. Similarly, the account-holder might buy a small business which later failed, leaving both husband and wife without adequate retirement funds. Or, as in the case of the family I knew in high school, the man might leave for another woman after many years in which his wife thought their marriage was happy, taking his money with him.

What could she do to assure he would help support her in old age, especially if she outlives him? One possibility is to seek assistance from the divorce courts, on the likely assumption that they would divide privatized funds as they now do other marital assets. To assure success, she might conclude she had to act before her husband retired. While divorce courts can award alimony whether the worker is working or retired, there may not be enough funds left after he retires and begins to spend some of the savings in his privatized account for him to be able purchase an adequate survivor annuity for his spouse. For this reason, privatization could even provide an incentive for some women to consider seeking a divorce. I can imagine a woman faced with a terrible dilemma — whether to risk eventual poverty or to act early to gain access to her husband's account before it is spent. Afterwards, it might be too late; there might be too little left for the court to divide.

Even divorce courts would not give women a benefit based on the lifetime earnings of their husbands. Divorce courts generally have jurisdiction to give the wife a share only of what was earned *during* marriage. By contrast, under current law, a wife's Social Security benefits are based on her husband's lifetime earnings, including those earned *before or after* their marriage.

Proponents of privatization sometimes argue that with women working more outside the home, the need for spouse and survivor benefits is diminishing and may soon vanish. The facts are otherwise. The Social Security actuaries estimate that among married women retiring in 2015, approximately 40 percent will continue to qualify for at least a partial spouse benefit.

Moreover, since few women earn as much or more over a lifetime as their husbands do, more than 80 percent of widows will continue to qualify for survivor benefits. As noted above, the benefits equal the husband's entire Social Security benefit. These widows will have earned less at their jobs, perhaps because their attention was divided during the years they were raising children, or because they chose to stay home for extended periods to bring up children, care for elderly parents, or serve in their community. All of these are life-style choices that would be at some risk under privatization.

Another major issue is how to be sure benefits will last a lifetime. The only way is for monthly benefits to be paid for life, as Social Security benefits are. By contrast, most privatization plans allow the retiree access to much or all of his savings at retirement. This means that many people may encounter difficulty spreading their retirement incomes over their and their spouse's lifetimes, whatever their intentions. At age 65, men have an average life expectancy of 15.3 years (to over age 80) and women an average of 19.1 years (to over age 84).

Those who want to protect themselves and their spouses against outliving their benefits could purchase private annuities, but private annuities are expensive. Experience has shown that those who buy them tend to live longer than the average for the population as a whole. Insurance companies and other private purveyors of lifetime annuities charge high prices to compensate for the likelihood of longer lives by their customers and to enable them to earn a profit.

Moreover, unless federal regulations preclude differential charges for annuities by sex, companies will charge women more for annuities or give them lower monthly annuity benefits, since on average women live to older ages than men.

Without annuities, what will keep elderly widows from destitution? Perhaps SSI, welfare for the elderly, which currently supplements the income of the elderly poor. But SSI raises the income of elderly individuals only to $494 a month for those with assets of less than $2,000 (excluding certain items such as a home, a car and prepaid funeral expenses). This is well below the poverty line.

Social Security not only pays a benefit every month for life but also provides an annual cost-of-living supplement to keep up with inflation. Because of the COLA,

A Way to Improve Life for Elderly Widows

One change that has been proposed could make life more secure for elderly widows, who are the poorest component of the elderly population. More than 20 percent of them, including divorced widows, are below the poverty line. This proposal also would give women who have earned their own benefits a greater return for their taxes.

Under the proposal, survivor benefits would be increased from half to three-quarters of the husband and wife's combined benefits. For example, if husband and wife each had earned a benefit of $1,000 a month, under current law the survivor benefit would be $1,000 a month; under this proposal, it would rise to $1,500. If only one partner had worked, the benefit would remain at $1,000.

The beneficiaries of this change would be couples in which both had worked, especially if their earnings had been nearly the same. Researchers at the Social Security Administration estimate that the incomes of about one of every six poor widows who came on the rolls in 1990 would be raised above the poverty level by such a change.

The cost of this modification could be paid for mostly by reducing the spouse benefit from one-half to one-third of the husband's benefit. Of the 40 percent of married women who are expected to qualify for spouse benefits in 2015, many earn more than a third of their husbands' benefits and would keep their worker benefits. Those who did not would still get at least one-third of their husband's benefits. Over time, as women earn higher benefits themselves, such a reduction would affect fewer of them.

Further, most couples in which the wife has earned benefits less than one-third of her husband's are relatively affluent. This is what enabled them to work so little outside the home. The poverty rate among married couples, whether they are of working or retirement age, is less than six percent, while that for widows is more than three times as high.

Social Security never loses its purchasing power. Nothing similar is available in the private market.

The present discussion of privatization has arisen because Social Security is expected to have a shortfall in the 75 years ahead. This shortfall can be solved with modifications in Social Security, such as raising the retirement age modestly, bringing state and local employees under mandatory coverage, and taxing benefits in the same manner as other pension payments are taxed. Such changes are what we should be debating, not proposals that would significantly reduce the security of elderly women.

SOCIAL SECURITY REFORM: HOW MIGHT WOMEN FARE?

Highlights

Trends in female labor force participation rates, female earnings as a percent of male earnings, and women's pension coverage all point to improvements in the economic status of women that have taken place in recent decades. In the years ahead, more women will be receiving Social Security and pension benefits based on their own work histories and, in the aggregate, are likely to have higher real incomes in retirement than women who are retired today.

Despite these positive trends, many millions of women will receive low or no private pension benefits and will remain heavily dependent upon Social Security for retirement-income support. Thus, how Social Security treats women, and how women might fare under various proposals to restore long-term solvency to the Social Security system are matters of critical concern to women.

This issue brief examines the potential impact on women of a number of proposed Social Security reforms. Some of the changes would maintain the system's social insurance principles, while others call for a privatized system that would allow workers to invest all or part of their Social Security contributions in the private market.

Privatization, even partial privatization, poses big risks, especially for persons with limited resources. How the market has performed historically, for example, cannot be counted on to apply to specific groups of workers or to the time that a particular cohort retires. The market does not just go up, and declines can be swift, deep, and prolonged. Low-income women would have less to invest and would be less able than higher-income women to weather market downturns.

Women appear to be more conservative investors than men. Under a privatized system, two investors with identical earnings but different investment philosophies could end up with very different retirement benefits. Women, in such instances, could expect the lower accumulations.

Because Social Security is gender neutral, men and women with identical work histories and earnings can expect identical benefits. In the private market, however, sellers of annuities can take into consideration women's longer life expectancy. Thus, the same accumulation may purchase lower monthly benefits for women than for men.

Social Security provides benefits to the spouses and survivors of workers eligible for Social Security. Not all privatization proposals would require account owners to annuitize their accumulations. This could leave married women and survivors with no assurance of any income from their husbands' retirement investments.

Divorced women are entitled to Social Security benefits based on the earnings of their former husbands, if they had been married for at least ten years. Under some proposed changes to Social Security, such women would apparently have to depend on the vagaries of the divorce court for any share of the accumulations in their husbands' privatized accounts.

Other more modest changes to Social Security have also been proposed, and some of them could adversely affect women. For example, because women's average work histories remain much shorter than men's, they would find it hard to meet an increase in the number of years included in the benefit computation formula or a higher normal retirement age.

Introduction

Women's rising labor force participation rates, increasing earnings, and expanded pension coverage (Tables 1 to 4) point to a brighter old age for millions of women, who at one time could count on little in the way of retirement income beyond a Social Security benefit based on the earnings of their husbands. Growing numbers of women in the future will receive Social Security and private pension benefits as a result of their own work histories, and many will be able to supplement those benefits with income from savings and investments.

Table 1
Labor Force Participation Rates of Women, Selected Ages: 1950-1996 (in percent)

Year	16+	24-34	35-44	45-54	55-64
1950	33.9	34.0	39.1	37.9	27.0
1955	35.7	34.9	41.6	43.8	32.5
1960	37.7	36.0	43.4	49.9	37.2
1965	39.3	38.5	46.1	50.9	41.1
1970	43.3	45.0	51.1	54.4	43.0
1975	46.3	54.9	55.8	54.6	40.9
1980	51.5	65.5	65.5	59.9	41.3
1985	54.5	70.9	71.8	64.4	42.0
1990	57.5	73.6	76.5	71.2	45.3
1995	58.9	74.9	77.2	74.4	49.2
1996	59.3	75.2	77.5	75.4	49.6

Source: U.S. Department of Labor 1985, 1986, 1991, 1996, and 1997.

Despite these developments, the retirement income security of millions of women in the near- and longer-term future is by no means guaranteed.[1] Women with lengthy work careers and jobs with high wages and pension coverage may look forward to a financially secure old age, but even they could find themselves at risk of outliving their assets and watching the value of their private pensions dwindle from even moderate inflation or a stay in a nursing home. Moreover, although women's employment prospects have brightened considerably over the past several decades, their labor force attachment and work experiences have yet to measure up to men's, and it is on work patterns more typical of men that much of the country's retirement-income system is based.

Women are still more likely than men to be out of the labor force at any age, to experience discontinuous work histories, and to be employed part time--all of which have implications for their ability to accrue pension credits and save for retirement.

Table 2
Median Earnings of Full-time Working Women: 1970-1996* (in 1996 dollars)

Year	Number with Earnings (in 000s)	Annual Earnings
1970	25,926	$15,576
1980	34,727	$17,570
1990	42,940	$20,284
1996	46,944	$21,185

*Civilian workers only prior to 1989.
Source: U.S. Census Bureau 1998.

Government efforts to encourage people to assume more responsibility for their own well-being in old age notwithstanding, Social Security will continue to provide much of the

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[1] The same can be said of men, of course. However, as discussed in this paper, older women are, and most likely will remain, more vulnerable financially than men. For this reason, and because the number of vulnerable older women far exceeds the number of vulnerable men, this paper focuses on women.

retirement income on which millions of women depend. Hence, how Social Security treats women, and how women might fare under various proposals designed to restore long-term solvency to the Social Security system, are matters of critical concern to women. This issue brief examines the importance of Social Security to women now and into the 21st century, especially with respect to their continued economic vulnerability. It also addresses issues of benefit adequacy and equity for women and assesses how some of the more prominent proposed changes to the Social Security system might affect them.

Table 3
Female Earnings as Percent of Male Earnings: 1970-1996 (median earnings of full-time workers)

Year	Annual	Weekly
1970	59.4	62.3
1980	60.2	64.4
1990	71.6	71.8
1995	71.4	75.4
1996	73.8	75.0

*Year-round workers.
Source: Institute for Women's Policy Research (IWPR) 1997; U.S. Department of Commerce 1998; U.S. Department of Labor 1988.

Income Security in Old Age

Not only do over 90 percent of women aged 65 or older collect Social Security benefits, but Social Security accounts for over half the income of nonmarried women in this age group and 38 percent of the income of married couples. In fact, Social Security actually contributed more to household income for couples and nonmarried women in 1994 than it did in 1976 (Grad and Foster 1979: Table 28; Grad 1996: Tables I.8 and VII.2). Social Security plays almost as important a role in the financial well-being of nonmarried older men. (See Figure 1.)

Social Security was designed to help protect people against income loss resulting from events--retirement and disability, in particular--over which they have little or no control. While never intended to serve as the sole source of retirement income, it is just that for approximately 2.7 million nonmarried elderly women and nearly three-fourths of a million aged married couples (Grad 1996: Table VI.B.2).

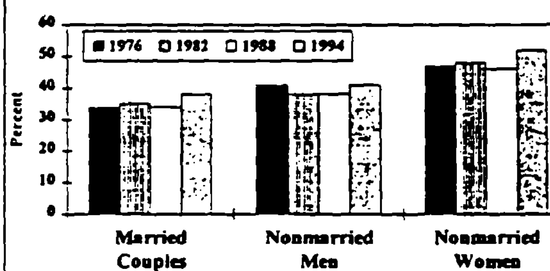
Table 4
Women's Pension Coverage Rates, Full-time Private Wage and Salary Workers: 1972-1993 (in percent)

Year	Coverage
1972	38
1979	40
1983	42
1988	44
1993	48

Source: U.S. Department of Labor et al. 1994 Table B16.

Fewer than one in five (18 percent) elderly women were receiving income from private pensions or annuities in 1994. A much higher proportion (two-thirds) reported owning assets, but median asset income in 1994 was barely over $1,300 for all aged recipients; among nonmarried women, the median was less than $900 (ibid.: Table V.D.1).

Figure 1
Social Security As a Share of Aggregate Income by Marital Status: 1976-1994



Source: Grad and Foster 1979; Grad 1984, 1990, and 1996.

Subject to numerous uncertainties under the best of circumstances, Social Security projections are especially problematic in light of recently proposed reform measures. As noted above, in the future, women will have greater access to sources of retirement income in addition to Social Security, as their behavior continues to undergo changes. For example, as Ross (1997) notes, women nearing retirement age--55 to 64 years old--had a labor force participation rate of 41 percent 30 years ago, when they were 25 to 34. Women who are between the ages of 25 and 34 today, in contrast, have a participation rate of 75 percent. For this as well as other reasons, seven in ten baby boomer females in 2030 are expected to have pensions and assets in addition to Social Security, according to simulations by Lewin-VHI (AARP 1994: Table 10). Only about one in 25 female boomers is likely to have income from only one of these sources.[2]

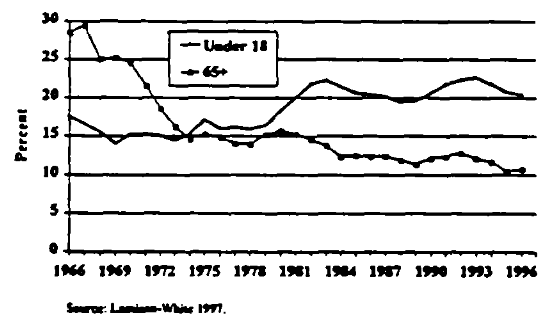
Despite these developments, reliance on Social Security may not lessen as dramatically as women's changing roles might suggest, at least not for several decades. Pension coverage rates have stagnated since the 1970s, and although more future retirees will receive pensions, the amounts could be small. This is because the average benefits to shorter tenured workers "who would not have received pensions previously" may be low (U.S. General Accounting Office 1997: 7).

In addition, efforts to foster personal savings "appear to have had only marginal success" (U.S. General Accounting Office 1997: 7). The temptation to utilize lump-sum pension distributions upon job change may be overwhelming for many workers (see, e.g., Korczyk 1996a and 1996b), leaving future retirees with less retirement income than pension coverage rates might imply. When offered the chance, workers are apparently far more likely to opt for lump-sum payouts, even at retirement (Salisbury 1997), when a lifetime annuity might be more appropriate. At least one set of simulations warns that Social Security's contribution to aggregate income could change only modestly, especially for nonmarried women through 2030 (Zedlewski, et al. 1989), a conclusion echoed by Lewin-VHI for widowed females (AARP 1994).[3]

Vulnerability in Old Age

Social Security has been a major contributor to the marked decline in poverty among elderly persons in recent decades. In 1966, nearly 29 percent of persons aged 65 and older had incomes below the official poverty level, but by 1996, that figure had fallen to just 10.8 percent, partly the result of substantial Social Security benefit increases in the 1970s and automatic cost-of-living increases as of 1975. The overall poverty rate for the older population is now below that for the population under the age of 18 (Lamison-White 1997; see Figure 2).

Figure 2
Poverty Rates of Persons Under Age 18 and 65+: 1966-1996



Source: Lamison-White 1997.

The loss of Social Security benefits would not put every older person in the poorhouse, but millions would find themselves strapped

[2] In 1994, only 5 percent of aged married couples and 1 percent of nonmarried women received three or more retirement benefits (Grad 1996: Table I.6).

[3] Zedlewski et al., for example, estimate that Social Security will account for 68 percent of the aggregate income of nonmarried women in 2030, while Lewin-VHI projects that it will account for almost 49 percent of the income of widows.

or financially at risk without them. Unpublished calculations by AARP's Public Policy Institute indicate that the 1995 poverty rate for persons 65 and older would have risen from 10.5 percent to 47.8 percent if their Social Security benefits had been eliminated. Without Social Security, the poverty rate of older women--who predominate among the aged poor--would have been 52.9 percent in 1995, rather than 13.6 percent.

Aggregate poverty rates obscure significant differences by subgroups that make it clear that, as Choudhury and Leonesio (1997: 1) put it, "the gains that have accrued to the aged in aggregate have not been equally shared by men and women." So, for example, older women have a higher poverty rate than older men; nonmarried women are far worse off than married women; minority women have much higher rates of poverty than white women (see Table 5); very old women (85-plus) are at greater risk of being poor than women in their 60s.

Women's Eligibility for Social Security[4]

Women can receive Social Security benefits in old age in one of essentially three ways[5]--based on their own work histories and earnings records, based on the work histories and earnings records of their husbands, or based on a combination of the two. Women with the requisite Social Security coverage (a minimum of 40 quarters for workers reaching retirement age today) are entitled to a full retired worker benefit at the age of 65. Actuarially reduced benefits are available to qualified workers as early as age 62.

If, upon reaching retirement age, a woman is married or had been married for at least ten years before becoming divorced, she may be entitled to spousal benefits that at their maximum are equal to half of her husband's or ex-husband's retired worker benefit.[6]

Women receiving spousal benefits may have worked during their marriages, but not enough to qualify for benefits of their own that exceed their spousal benefits. Women lacking 40 quarters of coverage are entitled only to spousal benefits.[7]

Table 5
Poverty Rates of Selected Groups: 1996
(in percent)

Persons 65 and older	10.8
Persons under age 18	20.5
Women 65 and older	13.6
Men 65 and older	6.8
White women 65 and older	12.1
Black women 65 and older	29.8
Hispanic women 65 and older	27.7
Married women 65 and older	5.2
Nonmarried women 65 and older*	19.5

*Includes separated women.
Source: Lamison-White 1997, Table 1; unpublished AARP-Public Policy Institute tabulations of March 1997 Current Population Survey.

More likely today, married women will have worked enough to qualify for retired

[4] For ease of reading and because it is concerned primarily with women, this issue brief will generally refer only to women even when the observations apply to men as well. Social Security, it should be stressed, is gender neutral.

[5] Under certain circumstances, workers may also qualify for benefits at younger ages, e.g., if they become disabled. A very few Social Security beneficiaries are receiving special age-72 benefits or benefits as parents; however, these beneficiaries are not treated in this issue brief.

[6] Early (pre-65) collection of benefits results in an actuarial reduction. The full 50-percent spousal benefit is received only when both spouses are 65 or older at the time of receipt.

[7] Spousal benefits are sometimes referred to as dependents' benefits, a term that has come to have a pejorative connotation as the concept of marriage as an economic partnership has achieved greater currency.

worker benefits of their own but, upon reaching retirement age, find that their own benefits amount to less than half of their spouses'. Technically, these women--who are "dually entitled"--receive their own retired worker benefits plus an auxiliary benefit that tops their worker benefits up to what they are otherwise entitled to as spouses. In other words, they do, in fact, collect benefits based on their earnings, but this technicality is lost on many married women, who are only too aware that when it comes to old age and survivors' benefits, they are no better off than if they had never worked for pay.[8] In practical terms, dually entitled beneficiaries get the higher of two benefit amounts; they cannot collect both full benefits.

When spousal benefits were introduced in 1939, relatively few married women worked outside the home, although even then it was assumed that "most wives, in the long run, [would] build up wage credits on their own employment" (Chater cited in U.S. General Accounting Office 1996: 64), as indeed they have. Today, the majority of adult women under the age of 65 are employed outside the home, regardless of marital status or the presence of children. Even the mothers of young children are likely to be employed. As of 1996, nearly 58 percent of married women with a child under the age of three were in the labor force, over 2.5 times the figure 30 years earlier (Ferber 1993 and U.S. Depart-ment of Labor 1998).

The figures in Table 6 highlight how women's changing roles have been reflected in their Social Security benefits, as a growing proportion now collects worker benefits. Over 62 percent of women qualified for worker benefits in 1995, up from 43 percent in 1960. That women are increasingly working long enough to qualify for retired worker benefits of their own is a big plus in the event of divorce.

Table 6
Women Social Security Beneficiaries Aged 62 or Older, by Type of Entitlement: 1960-1995 (in percent)

Entitlement	1960	1980	1995
Worker	43.3	56.9	62.1
Worker only	38.7	41.0	36.2
Dually entitled	4.6	15.9	25.9
Wife/widow only	56.7	43.1	37.9

Source: Social Security Administration 1996: Table 5A.14.

Women today, it is clear, are far less likely to be "dependent" on a spouse, at least as far as Social Security is concerned. This is evident in the decline in wife/widow-only recipients from almost 57 percent in 1960 to just under 38 percent in 1995.

Despite women's growing labor force attachment, "there are still," as Ferber (1993: 43) states, "millions of women who have been full-time homemakers most of their lives, although their number has been declining rapidly. There are many more women who have been full-time or part-time homemakers intermittently" (Ferber 1993: 43). Thus, women's gains have come mainly in the form of dual entitlement (see Table 6). If these women's own worker benefits had been higher than half of their husband's, they would be classified as "worker only,"[9] a figure that was actually lower in 1995 than it was in 1960, perhaps as a result of more low-wage women entering the labor force and accumulating sufficient quarters of coverage to qualify for worker benefits. Instead, these

[8] If they lack the requisite work history, however, married women are not eligible for disability benefits based on their husbands' work records, so employment does provide them a benefit that marriage alone does not.

[9] This designation may be confusing because the beneficiaries in question would have qualified for spousal benefits if they were not entitled to retired worker benefits that are greater than the spousal benefits.

dually entitled women do better with what is, in essence, the spousal benefit.

At widowhood--and most women outlive their husbands--survivors either collect their spouses' full benefits or continue to receive their own retired worker benefits, whichever are greater. They cease to get the 50-percent spousal benefit. The same holds true for divorced women. If their ex-husbands die, they, too, may be eligible for higher survivors' benefits.

Receipt of benefits based on husbands' work records and earnings may continue into the foreseeable future, in spite of women's growing labor force attachment. Sandell and Iams (1996) estimate that women's changing work patterns and earnings will result in higher income for couples, but little improvement for most widows. A growing proportion of wives, they maintain, will qualify for Social Security benefits of their own that exceed *half* of their husbands' benefits but are less than 100 percent of those benefits. If they outlive their husbands, these women will find themselves "better off" with survivors' benefits than they would be with their own retired worker ones.

The projections of Sandell and Iams suggest that fewer than 20 percent of baby boom widows in the early part of the next century will collect higher benefits based on their own earnings, in contrast to about 8 percent today. As a result, "a sizable proportion, not too different than today's, of next century's elderly widows will be at risk of economic distress" (Sandell and Iams 1996: 12).

Reinforcing this observation are projections from the Commonwealth Fund Commission on the Elderly People Living Alone (1987: OR-2), which indicate that by 2020, poverty among the aged will be largely confined to persons living alone, virtually all of whom will be women. Moreover, the gap between these women and other elderly persons is expected to widen. Hence, developments that threaten to undermine the income support the aged *now* receive should be examined carefully for their potential impact on this vulnerable group.

Social Security Provisions of Particular Importance to Women

Social Security is gender neutral, which means that men and women with identical work histories and earnings can expect identical benefits. The gender neutrality of Social Security extends to its actuarial calculations. In the private market, sellers of annuities can take into consideration the fact that a set sum or accumulation of savings must, on average, last longer in the case of women. Thus, the same accumulation may purchase lower monthly benefits for women than for men, though payments over a lifetime may be the same. This cannot happen under Social Security.

Nonetheless, because women's and men's lives are anything but gender neutral, the Social Security benefits they receive typically vary substantially in both type and amount. Not surprisingly, women's benefits typically are lower than men's.

At the end of 1995, female retired workers were receiving monthly benefits that averaged $621, in contrast to $810 for men (Social Security Administration 1996: Table 5.A1). This gap reflects less time in the labor force on the part of women, as well as their greater probability of working part time and their continued concentration in lower-wage occupations.

The gender neutrality aspect of Social Security aside, a number of Social Security's provisions are especially beneficial to women, although men in comparable circumstances would benefit from these provisions as well. For example, 99 percent of the spousal benefit recipients are women, as are 98 percent of the dually entitled (Social Security

Administration 1996: Tables 5.A1 and 5.G2). The U.S. General Accounting Office (GAO) notes that "because women receive spousal and survivor benefits more often than men and, hence, are subject to the dual entitlement limitation more often, these concerns are often viewed as women's issues" (U.S. General Accounting Office 1996: 48).

The Benefit Formula

Women also gain from the way Social Security benefits are calculated because the benefit calculation formula replaces a higher proportion of the wages of low-wage workers than of higher-wage workers. For single earners with low, average, and high earnings, for example, Social Security replaces, respectively, about 53 percent, 40 percent, and 26 percent of their wages (Steuerle and Bakija 1994: 96).

The progressive benefit formula redistributes income from higher-wage earners to lower-wage earners who, it has been recognized since the system's inception, would have more difficulty achieving income adequacy in old age than their higher-earning counterparts. Since women are disproportionately found among the lower earners, this "weighted benefit formula" is especially important to them.[10] Private pension benefits lack the redistributive element of a weighted benefit formula, which is a fundamental feature of social insurance in the United States.[11]

The fact that divorced women can collect benefits on their ex-husbands' work records and that multiple ex-spouses who meet the duration-of-marriage test can collect benefits as divorcees or widows, underscores the role that Social Security plays in protecting against income loss and providing a floor of security. In sum, as Ferber (1993: 43) notes, Social Security "favors lower income workers and makes provisions for spouses who are not employed," two aspects of the system that favor women as a result.

Defined Benefit vs. Defined Contribution Protection

Social Security is a defined benefit retirement income plan that uses a formula set by law to calculate benefits based on earnings up to an annual maximum limit and years of coverage (35 years of highest earnings). Workers can, albeit generally with some help from the Social Security Administration, estimate what their benefits will be under reasonable assumptions about wage increases and years of employment. That is not, however, the case with defined contribution private pension plans, such as 401(k)s, which are claiming an increasing share of the private pension market. With defined contribution plans, market risk is a real risk: retirement annuities or lump-sum distributions from those plans depend on the amount invested and the earnings on the investments. Poor investment choices, as well as both the unwillingness and inability to save, can also undermine retirement-income accumulations.

Moreover, retirees need never fear outliving their Social Security benefits. Because Social Security cannot be taken as a lump sum or as graduated payments or phased withdrawals, beneficiaries can never "use up" their Social Security. Furthermore, because old-age and survivor benefits cannot be cashed out at early ages, qualifying retirees can never get their hands on the money prematurely. Assuming workers have sufficient quarters of coverage, something will always be there for retirement. In contrast, cashouts pose a significant problem for savers

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[10] Of course, the weighted benefit formula is no substitute for improving the wages and benefits of women. High earners still receive higher absolute benefits than low earners, even if those benefits replace a lower proportion of pre-retirement earnings.

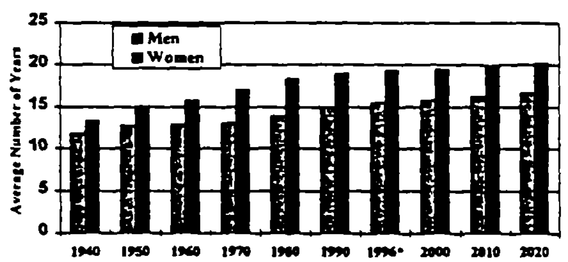
[11] Women may lose some of that progressivity if their Social Security and private pension benefits are integrated.

in defined contribution plans, especially at the time of a job change. Women are more likely than men to cash out their defined-contribution accumulations before retirement age (Korczyk 1996a).

Longevity

Longevity should also be kept in mind by women as well as men as they plan for their income needs in old age. Life expectancy at age 65 has risen for both men and women since the early years of Social Security (Figure 3), though the female/male longevity gap is wider than it was six decades ago. As of 1996, at age 65 the average woman could expect to live more than 19 years; future female retirees will have to plan for an even longer retirement. Very old Social Security beneficiaries today, the vast majority of whom are women, are among the poorest of Americans. They may also face catastrophic health and long-term care expenditure at the same time that they risk exhausting their non-Social Security resources. Just how much more secure the very old of the future will be remains to be seen.

Figure 3
Life Expectancy at Age 65: 1940-2020
(intermediate assumptions)



*Preliminary.
Source: Board of Trustees, Federal Old-Age and Survivors Insurance Disability Trust Funds 1997

Longer life expectancy for women, coupled with the fact that wives are generally younger than their husbands, means that women are more likely than men to become widowed and, as a result, have a far greater probability of living alone. Some women reach old age never having married, but the percentage currently is low (about 4 percent). Many more are widowed, and by age 75, only about one fourth of women are married, in contrast to about 70 percent of men of the same age. Women are thus more likely to suffer the loss of income and social support resulting from the death of a spouse.

One of the great advantages of the Social Security system is that benefits are indexed. This guarantees that retirement benefits maintain their purchasing power over time. Almost no private pensions are automatically indexed, although a few grant ad hoc increases. A very long life expectancy accompanied by even modest inflation can seriously erode private retirement benefits. Private annuitants must purchase indexed annuities if they want any inflation protection in their defined contribution plans, but they pay for that protection in the form of lower benefits.

Social Security and Women's Unmet Needs

Despite the benefits that accrue to women under Social Security, the program today is not without critics. Its gender neutrality, for example, by definition fails to make allowances for the fact that caregiving responsibilities are one reason that women's work histories continue to be shorter than men's. Social Security benefit calculations assume a 40-year work history, with the five lowest years of earnings omitted from the calculation. For women, some or all of these five years may be years of zero earnings. Earnings over the remaining 35 years are averaged, but if Social Security applicants have more than five years of no earnings--as many women still do--anything in excess of five is included as zeros in the estimation of average wages and calculation of benefits.

To be sure, more women are reaching retirement age with a full work history, but most still fall short of the full averaging period. GAO observes that the median number of years with covered earnings was 36 for men reaching age 62 in 1993; it was only 25 for women; less than 20 percent of women had 35 years, in contrast to almost 60 percent of men (Ross 1997).

"Provid[ing Social Security] participants with retirement benefits adequate to secure a basic subsistence standard of living" is the goal that drove the architects of the Social Security system (Steuerle and Bakija 1994: 15-16) and that has driven many of the system's subsequent reforms. Though attention to equity issues, or the fairness of benefits compared to contributions, was apparent at the outset, benefit adequacy was the greater concern at the outset as the architects of the program sought first to deal with the problem of poverty (ibid.: 14).

Concern about the well-being of dependent family members, particularly women and children, manifested itself in the early days of Social Security. The addition of benefits for wives and children that were not tied to their own work records, according to Derthick (1979: 260-261), "consciously introduced an avoidable bias into the program for the sake of welfare objectives."

That bias--an inequity accepted for the sake of adequacy--was the advantage accruing to a married couple with a single earner over a two-earner couple with the same earnings. The latter couple might pay the same Social Security taxes as the former, but the couple would collect less from Social Security. Each qualifying worker in a two-earner couple would get a retired worker's benefit, while the single-earner couple could claim a worker's benefit and a spousal benefit.

This inequity has proven nettlesome to many dual-earner couples as their numbers have increased. It also translates into an adequacy issue, especially upon widowhood. The benefit to which the surviving spouse, again generally a woman, is entitled will be substantially lower for the survivor of a dual-earning couple than the survivor of the single earner with comparable earnings. Household expenses may fall at this time, but, as Rappaport (1997: 35) observes, "the difference in cost of living is far smaller than the difference in income." Survivors of dual-earner couples may experience considerable hardship as a result of the decline in household income at this time.

As more married women began to find themselves part of dual-earner couples, issues of equity or fairness began to strike a chord,[12] and by the late 1970s, women's advocates were increasingly seeking to bring some of these issues to the fore. Income adequacy, especially for nonmarried women and the very old, continued to be a concern. Although women's status in retirement was clearly improving, many women's advocates agreed with former Congresswoman Mary Rose Oakar, Chair of the House Task Force on Social Security and Women, when she argued that correcting the inequities toward women in the Social Security system was "one of our top domestic issues" (U.S. House of Representatives 1980: 2).

Improving Women's Status in Old Age

There have been numerous proposals since the 1970s and early 1980s to make Social Security more equitable and/or more adequate for women (see, e.g., U.S. House of Representatives 1980 and 1985; Beedon 1991; Burkhauser and Smeeding 1994; Center for Women Policy Studies 1988; Save Our Security 1996; Steuerle and Bakija 1994). Reform proposals have varied, from the radical solution of earnings-sharing for married couples--whereby the earnings of both partners would be halved and credited to

[12] GAO (1996) recently summed up the key inequities that have the greatest impact on women: two-earner couples receive lower benefits than one-earner couples with the same earnings; the survivors of these couples get less as well. In addition, dually entitled beneficiaries get no more in Social Security benefits than they would receive if they had never worked.

the earnings records of each spouse--to more modest proposals, such as increasing the number of dropout years in the calculation of average earnings under Social Security.

However, most proposals, as Ferber points out, "have come to naught," which she does not find surprising, since there is so much disagreement "about what the effects of Social Security are, and what the outcomes should be" (Ferber 1993: 43). Moreover, many of the proposals have been costly, involved benefit cuts to some beneficiaries--never politically popular--, and/or would be phased in over such a long period of time that years or decades would have to pass before full implementation. Hence few women who need help immediately would benefit from the change.

Though momentum for reform that would benefit women under Social Security seemed to be building in the late 1970s, demographic, economic, and other pressures were conspiring against significant improvements. Costly changes, in particular, were beginning to look doomed. By 1983, the Social Security system was in short-term actuarial imbalance, and the situation was urgent. Restoring solvency to the system at that time allowed for very few benefit enhancements, though the modest improve-ments that were included in the 1983 amendments to the Social Security Act were largely seen as "women's" benefits.[13]

Social Security for the 21st Century

Despite the fact that the Old-Age, Survivors, and Disability Insurance (OASDI) Trust Funds will build up sizable reserves for the next dozen years, the long term picture is not auspicious for costly benefit improvements, whether or not they involve enhanced adequacy or equity.

While Social Security revenues currently exceed payments, the system is not in actuarial balance over the long-term; the estimated deficit over the 75-year horizon used in Social Security projections amounts to 2.23 percent of taxable payroll for the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds (Board of Trustees 1997).[14] The 1997 report of the Social Security Trustees notes that, all else being equal, the trust fund reserves which are currently growing will be drawn down beginning in about 2012 and will be exhausted by 2029.[15] Thus, Social Security will be able to pay full benefits on time for more than three decades. To ensure that benefits will be paid in a timely fashion after that date, some changes will be necessary. The only possibilities are revenue increases and/or benefit decreases, the magnitude of which will depend on the specific proposals and when the changes are introduced.

Coupled with the solvency issue is growing concern about declining confidence in the ability of Social Security to pay benefits (see, e.g., Reno and Friedland 1997). According to a 1997 opinion survey by Public Agenda, about one-third of the public thinks "they won't get any Social Security benefits at

[13] Under these amendments, a divorced spouse who was at least age 62 would be able to collect Social Security benefits based on the earnings of her ex-spouse as long as the ex-spouse was eligible to receive benefits; he need not have begun collecting them. Benefits were also liberalized for certain spouses.

[14] This is the average difference between income (e.g., payroll contributions) and outgo (benefits and administrative costs) as a percent of taxable payroll over 75 years. To bring the trust funds into balance, revenues would have to be augmented or costs reduced by an average of 2.23 percent in each of the next 75 years.

[15] The sensitivity of deficit projections to the assumptions on which they are based can be seen in the fact that, under the Social Security Actuaries' low cost assumptions, the OASDI trust funds will never be exhausted (at least over the 75-year period), while under high-cost assumptions, exhaustion will occur in 2018, rather than 2029.

all," up from one-fourth since 1994 (Farkas and Johnson 1997: 23), even though at its lowest point, income to Social Security should be sufficient to pay three-fourths of projected benefits. The Social Security trustees refer to "an alarming erosion of public confidence in the Social Security system over the past few years, particularly among younger generations," insisting that early action is needed to ensure long-range solvency to restore that confidence (Social Security and Medicare Boards of Trustees 1997: 13).

As of fall 1997, Social Security reform was not yet on the Congressional Agenda, although President Clinton was promising "to do something soon" about Social Security (Harris 1997: A1), contending that the administration "'would fulfill [its] responsibilities to curb the costs of Social Security." In his 1998 State of the Union address, he called for a national dialogue on Social Security to be facilitated by a series of bipartisan regional forums designed to increase public understanding of Social Security and various reform proposals.

Few politicians relish the prospects of reforming Social Security, long referred to as the third rail of politics. But while reform may be inevitable, opinions vary widely as to the degree of change that is necessary to restore long-range solvency. January 1997 saw the release of the report of the 1994-96 Advisory Council on Social Security, which had been appointed by the Secretary of Health and Human Services under Section 706 of the Social Security Act to "advise the public, the Administration, and Congress on how best to prepare" Social Security and Medicare for the future (Advisory Council on Social Security, Vol. I 1997: 6).

The Council's long-anticipated report was preceded by considerable media attention and discussion by policymakers and Social Security experts and aficionados for at least two reasons. This was the first Council that was unable to achieve consensus on major recommendations. Its 13 members could not agree on how best to prepare Social Security for the future. But most likely accounting for the flurry of media interest in the topic of Social Security were recommendations for what would amount to restructuring of the Social Security system. Proposals to privatize Social Security by allowing workers to establish individual investment accounts and decide where to invest all or part of their Social Security contributions were being seriously considered.

It is worth emphasizing that most members of the Advisory Council did agree on a number of fundamental principles. For example, members eschewed conventional means-testing and approved continuing to finance the programs through contributions from employers and employees, rather than from general revenues. Members also indicated that full cost-of-living adjustments should be maintained. However, opinions differed greatly as to the most appropriate course of action to restore solvency. The result was three very distinct approaches to the solvency issue.

These plans are by no means the only ones that will figure in upcoming debates about Social Security. Social Security reform proposals have been offered by a number of organizations, some politicians, researchers, and policy analysts, including the Committee for Economic Development, the National Taxpayers' Union Foundation, Senators Kerrey and Simpson, the Concord Coalition, and the CATO Institute. More can be expected once Social Security moves to the top of the Congressional agenda. Space limitations preclude a consideration in this paper of all the plans. Instead, this issue brief highlights components of the three Advisory Council plans as they may affect women.

Because of the publicity surrounding, and a fair degree of public interest in, these plans, because many of the other plans include similar features, and because these plans could serve as a point of departure for debate on reform in general, it seems reasonable to restrict discussion to the Advisory Council's recommendations at this time.

Social Security Reform and the 1994-1996 Social Security Advisory Council

Although the three reform plans of Social Security Advisory Council have some elements in common, they approach restoration of solvency in very different ways. The differences can largely be summed up with respect to the degree to which efforts would be made to maintain the system's social insurance principles, especially redistribution of income, or instead move toward a more privatized system, thereby shifting more of the burden of retirement support to future retirees themselves. A very brief summary of the three plans follows. (Greater detail can be found in Advisory Council on Social Security, Vol. I 1997.)

Maintain Benefits

Of the three Advisory Council reports, what is referred to as the Maintain Benefits (MB) plan would, as its name suggests, maintain the structure of the Social Security system much as it is today. Social Security would continue as a defined benefit plan, with benefits based on a set formula established by law. Income redistribution--so fundamental to this social insurance program and so important in ensuring income adequacy for low-wage workers--would be retained.

Solvency would be achieved by a number of rather modest changes. The plan would, for example, extend Social Security coverage to new state and local workers, tax Social Security benefits like private pension benefits, lengthen the benefit computation period from 35 to 38 years *or*, alternatively, slightly increase the payroll contribution rate, and eventually shift to OASDI that portion of Social Security revenues generated from taxing Social Security that now goes to the Hospital Insurance (HI) Fund. If these changes proved insufficient to bring the system into actuarial balance, the plan would increase employer and employee payroll taxes in 2045.

The most innovative feature of the Maintain Benefits plan involves the possible investment after further study of a portion (up to perhaps 40 percent) of the Social Security trust fund reserves in private equities in a search for higher returns. Although some observers see such investment as a form of privatization, workers themselves would have no say over how funds were invested; an investment policy board nominated by the President and confirmed by the Senate would oversee investments. Earnings would accrue to the trust funds, not to workers' individual accounts. Despite the fact that the Maintain Benefits plan would make the fewest changes to Social Security, equity investment would nonetheless represent a significant departure from present policy.

Individual Accounts

The second plan proposes establishing mandatory individual accounts (IAs) similar to a 401(k) defined contribution plan. Workers, but not employers, would contribute an additional 1.6 percent of earnings to their individual accounts. They would be provided with limited investment choices, the accumulations of which would have to be converted to indexed annuities at retirement.

The IA plan would also extend Social Security coverage to new state and local workers, extend the benefit computation period to 38 years, lower the earnings replacement rate for middle- and high-wage earners, accelerate the scheduled increase in Social Security's full retirement age and subsequently index it to increases in longevity, and tax Social Security benefits like private pensions. The result of these changes, according to GAO, would be lower benefits from the "basic" Social Security program for all workers (Advisory Council on Social Security 1997; Ross 1997: 7), although benefits from the individual accounts are intended to help offset the losses.

Finally, the 50-percent spousal benefit would be gradually reduced to 33 percent, and the survivor benefit increased. Under this plan, a survivor would collect the highest of his or her own basic benefit, the deceased spouse's benefits, or 75 percent of the couple's combined benefits.

Personal Securitv Accounts

The most radical of the three Advisory Council plans would turn Social Security into a two-tier system. Tier I would become a flat-rate benefit based on years of covered employment that, after 35 years of earnings, would amount to about two-thirds of the poverty level for a person living alone (which was $410 a month in 1996).[16] Tier II would consist of retirement income from workers' personal security accounts (PSAs) financed by allocating 5 percentage points of workers' payroll taxes to the new accounts.

Workers could invest their 5 percent in a wide-range of financial instruments. At retirement, workers would not be required to annuitize their investments. The Tier I benefit for spouses would be the highest of their own benefit, half their retired spouse's benefit, or half of the flat benefit, when fully phased in. Survivors would be eligible for 75 percent of the benefit payable to the couple; they could also inherit any balance in the PSA of the deceased worker.

In addition, the PSA plan would accelerate and index the increase in retirement age and then periodically examine the need for additional changes, raise the age of early eligibility, and cover new state and local workers.

Social Security Reform's Impact on Women

Certainly, *everyone* has a stake in Social Security, and everyone will be affected by whatever reforms are ultimately implemented. However, as this issue brief and a sizable literature demonstrate, Social Security is without question a women's issue. Any proposal that would change the system, therefore, ought to be carefully scrutinized in terms of its impact on women. Rappaport (1997: 39) calls for making the changes needed to "ensure that we will have a strong Social Security system going forward," including a system that "will better handle a variety of family patterns."

All three plans could lead to long-term Social Security solvency, although their impact on various groups in the population will vary. Just how secure women would be under the various plans, though, remains a matter for further research. Since the Maintain Benefits plan would result in the fewest changes to the system, how women would fare in the future is essentially how they are faring today, although many might be worse off as a result of the lengthening of the benefit calculation period (discussed below).

Under the Individual Accounts (IA) plan, the National Academy of Social Insurance (NASI) calculates that the average earner would see a drop of 17 percent in his or her basic benefit from Social Security (Ross 1997: 8). Reductions would be higher for high-wage workers than low-wage workers.

The amount invested in individual accounts (an additional 1.6 percent of wages) would be expected to make up the difference between the basic benefit and what would be paid to workers under current law. It may do this, but it seems unlikely that income

16 Ultimately, workers with only 10 years of covered employment would be eligible for a benefit amounting to 50 percent of the full flat amount; this percentage would increase by two for each additional year worked up to 35.

adequacy in retirement would be greatly improved over what it is today.

The more dramatic changes would take place under the Personal Security Accounts (PSA) plan, whose provisions, especially the reconfiguration into a two-tier plan, stand to have a significant impact on women. As has been noted elsewhere in this paper, women with high-wage jobs have less to be concerned about when it comes to the Advisory Council's proposed changes (Williamson 1997b: 98), including those in the PSA plan. Affluent women, like everyone else, face market risk under privatization, but would come out ahead under many circumstances.

Privatization, even the partial privatization of the PSA and IA plans, poses big risks, especially for persons with limited resources. Low-income women, for example, have less to invest in the first place and would be less able than more affluent women to weather market downturns. They might also find it harder to obtain good market advice, given their limited income.

It also appears that women are more conservative investors than men (Hinz, McCarthy, and Turner 1997). That being the case, Ross (1997) notes, two investors with identical earnings could end up with very different retirement benefits. Women, in such instances, could expect the lower accumulations.

Women would also see lower benefits for the same accumulations because separate life tables could be used when IA or PSA accumulations were annuitized.[17] Since women live longer, their monthly annuity benefits would be lower than those of men with the same accumulations. Payments over a lifetime might be identical, but that is small consolation when monthly bills must be paid.

Moreover, although privatization proponents generally contend that most workers *could* do better in the private market than under Social Security, IA and PSA investors would face market risk. How the market has performed historically may not apply to specific groups of workers, and may not be in evidence at the time a particular cohort retires.

Over the long run, investments in the stock market have returned approximately 10 percent per year in nominal terms; between 1926 and 1994, the average return for the S&P 500 was 10.2 percent, or 6.9 percent after adjusting for inflation (Levine and Levine 1996: 222). However, some bear markets are deep and prolonged. On September 3, 1929, the Dow Jones reached a level it did not see again until November 23, 1954 (Pierce 1996). More recently, between January of 1973 and September of 1974, the market declined by 43 percent (or by 52 percent after factoring in inflation) (Ibbotson and Brinson 1993: 162). The phenomenal bull market of the past 15 years is not typical of the last 50 years, nor is it likely to be typical of the next 50 years, particularly if growth rates turn out to be lower than the nation experienced during the past 50 years (Williamson 1997a: 565).

There is also the question of who would actually own the accumulations in married workers' accounts. In the case of PSAs, the owner is clearly the worker, despite the fact that husbands and wives may make joint decisions about who works and when, and how money should be invested. Under the PSA plan, the owner would be under no obligation at the time of disbursement to purchase an annuity but could opt instead for a lump-sum payment. Unless Congress decided otherwise, that decision would be left to the owner of the PSA; spouses would not have a say in receiving any share of the money. This provision in the PSA plan could

[17] As noted elsewhere in this paper, the PSA plan does not require annuitization. Adverse selection under such circumstances could make annuities very expensive in the private market.

have a disproportionate and negative impact on women.

Divorced women are given short shrift in both IA and PSA plans. They would apparently have to depend on the divorce settlement for any share of the accumulation in a spouse's account. Williamson (1997b: 103) explains that under the IA plan a divorced woman would otherwise have no claim on her former husband's individual account so long as he was alive. At his death she would become eligible for only half of his benefit from his mandatory individual account. The divorced spouse of a worker with a PSA could not even count on that, as annuitization would not be required.

Women with sufficient work histories would always qualify for PSA's Tier I benefits, but that benefit would guarantee substantially less relative to the poverty level than the average woman's retired worker benefit today. Many women would be able to make up the difference with their PSA Tier II benefits, but others might not fare so well. This might tend to be the case if workers were tempted and allowed to gain access to their accumulations before retirement.

The question of preretirement access to IAs or PSAs is a critical concern, and Congress may be reluctant to limit people's access to their own money in time of need. Women tend to be less likely to retain lump-sum pension distributions for retirement (Korczyk 1996a). Might they also be more likely to tap into these new retirement savings, if permitted?

Advisory Council member Thomas Jones speculates that the pressure to use retirement savings prematurely might "dwarf the political risk attributed to the current pay-as-you-go system" (Jones 1996: 5). He also worries that "political support for the first pillar [the basic benefit] might weaken once it is explicitly separated from the individual account pillar." Women would have a great deal to lose if this were to happen.

Although the PSA plan represents the most radical of the proposed changes discussed in this paper, a number of the other proposals would likely have a disproportionate impact on certain groups, such as women and those with low incomes. Raising the full retirement age might disproportionately affect low-wage workers in demanding jobs that do not lend themselves to a longer worklife. Skills obsolescence is also a problem for many low-wage workers, who may also be at greater risk than high-wage workers of experiencing health problems that affect ability to work. Not all such workers would be women, but women are heavily represented in the low-wage jobs whose numbers are projected to increase the most over the next decade (Silvestri 1997). More affluent workers, on the other hand, may have the resources to continue to retire early, as well as the education and skills that encourage employers to retain them longer.

Women will also find it more difficult than men to meet the longer benefit computation period. According to Social Security actuaries, only 15 percent of women retiring in 1999 vs. 57 percent of men, would be able to meet a 38-year averaging period (Fierst 1997: 137).

Benefit Improvements

Given the need for revenue increases or benefit cuts just to keep the present system afloat, the prospects for benefit expansion would appear to be dim. And, to be sure, like everyone, women will benefit from a fiscally solvent Social Security system.

Yet many people continue to worry about income adequacy in old age, especially among nonmarried women, and have proposed reforms to address that inadequacy. The majority of Advisory Council members (as well as others [e.g., Burkhauser and Smeeding

1994; Sandell and Iams 1997]) support reducing spousal benefits and increasing benefits for survivors. While there are various ways to do this, one way, as mentioned above, is to reduce the spousal benefit from 50 to 33 percent and increase the survivors' benefit to 75 percent of combined benefits. Such a proposal is actually a nod in the direction of greater equity, as higher benefits would go to survivors of dual-, not single-, earner couples.

Many survivors would be no better off under the change, however, and the change would do nothing for never-married or divorced women, who are among the poorest aged today. In fact, divorced women could be far worse off, as they would qualify for only one-third of their ex-husbands' benefits, rather than half. While the number of women who collect benefits as divorced spouses is low, they are a particularly needy group. Finally, intact couples would have to get by on less while both partners were alive if one partner were entitled to the spousal benefit. This might prove difficult for low-income couples. Choudhury and Leonesio (1997) caution that this proposed change might not have the desired impact due to the fact that a lifetime of poverty, rather than loss of a spouse, appears to be the primary determinant of poverty in old age for the majority of women.

Conclusions

The market risk of even a partially privatized Social Security system is very real and deserves a great deal more attention than it has received to date. Policymakers, retirement-income experts, and women's advocates, among others, need to think long and hard before asking moderate- and particularly low-wage workers, a category that includes many women, to take those risks (Williamson 1997a). The market does not just go up. Declines can be swift, deep, and prolonged.

The Social Security Trustees argue that many of the proposals for reform would involve "a profound shift in philosophy and would have significant ramifications [that] deserve careful examination and consideration by policymakers and the American public before any changes are made" (Social Security and Medicare Boards of Trustees 1997: 13.) The recently confirmed administrator of the now-independent Social Security Administration, Kenneth S. Apfel, hopes to enhance understanding of Social Security and foster dialogue on the tough choices not only on Capitol Hill, "but also in family living rooms all across America" (Social Security Administration 1997).

The level of ignorance about Social Security basics, to say nothing of its financing and reform (see, e.g., Farkas and Johnson 1997), suggests that the public debate and discussion about the "tough choices" must be preceded by a public information/education campaign that tries to provide the public with the tools it needs to make informed decisions. Women, in particular, must be a focus of the campaigns.

However, before Social Security is fundamentally overhauled, more and far better data are required on the combined effect and distributional impact of any changes. There can be little doubt that women's well-being would be profoundly affected by some of the reforms being considered. Just who would be most affected and by how much needs further examination. Even the experts don't have the answers. Reform might not make women better off than they are today, but it should not worsen their often precarious situation in old age.

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PRESIDENT CLINTON:
WORKING TO STRENGTHEN SOCIAL SECURITY FOR THE 21ST CENTURY

November 4, 1998

"We should seize this historic opportunity to act on Social Security. I believe that saving Social Security must be the central priority of the next Congress over the next year."

President Bill Clinton
November 4, 1998

Today at the White House, President Clinton meets with his economic advisors to discuss how to move forward and strengthen Social Security for the 21st Century. Also today, the Vice President will announce a new policy that will make it easier for victims of domestic violence to change their Social Security numbers and escape their abusers.

The Need To Reform Social Security. President Clinton has helped close the books on a generation of budget deficits, and is now committed to using this time of economic prosperity to ensure the long term stability and strength of Social Security for the 21st Century. By 2013, money put into Social Security will no longer be enough to fund what it pays out, and we will have to dip into the Social Security Trust Fund. By 2032, the trust fund will be empty, and the money Social Security takes in will only be enough to pay 72 percent of benefits. President Clinton has fought to ensure that the budget surplus is protected until we strengthen Social Security.

The President Is Working To Protect Social Security. Next month, President Clinton will hold the first ever White House Conference on Social Security, a two-day conference that will bring together members of Congress and the Administration, and experts in the field to begin the process of securing bi-partisan Social Security reform. The President believes that any changes or reforms to the current system should be measured against the following five objectives:

- **Strengthening and Protecting Social Security For The 21st Century**. Any Social Security reform proposal must be comprehensive and address the solvency problem the system will face in the 21st Century.
- **Maintaining Universality and Fairness**. For half a century, Social Security has been a progressive guarantee for all citizens. Reform should maintain this promise.
- **Providing A Benefit People Can Count On**. Regardless of economic ups and downs, Social Security must provide a solid and dependable foundation of retirement security.
- **Preserving Financial Security For Low-Income And Disabled Beneficiaries**. Reform must ensure that those who rely most on Social Security and Supplemental Security Income are not forgotten.
- **Sustaining Fiscal Discipline**. Projected budget surpluses should be reserved until we have strengthened Social Security for the 21st Century.

Vice President Gore Announces A New Program To Help Victims Of Domestic Abuse

Today, the Vice President announces that for the first time, victims of domestic violence will be able to get a new Social Security number simply by providing written affirmation of their domestic abuse from a third party, such as a local shelter, treating physician, or law enforcement official. The Social Security Administration (SSA) will instruct their field offices to work closely with local domestic violence shelters, the police, the courts, treating physicians, medical facilities, and psychologists to help victims of domestic violence get the documentation necessary to secure a new Social Security number. SSA will also post information on their website, ***www.ssa.gov***, about steps victims need to take to change their number.

CENTER ON BUDGET AND POLICY PRIORITIES

March 30, 1999

UNDERSTANDING THE FINANCIAL STATUS OF THE SOCIAL SECURITY SYSTEM IN LIGHT OF THE 1999 TRUSTEES' REPORT

The Social Security Board of Trustees today released the 59th annual report on the program's financial and actuarial status. The report shows an improvement in the program's long-term fiscal status due primarily to the continued strong performance of the U.S. economy and improved prospects for the economy's future performance.

The Social Security trustees reaffirmed that Social Security does not face a near-term crisis. Payroll tax revenues currently exceed benefit payments and are resulting in the accumulation of a steadily growing surplus that will allow benefits to be paid in full for the next 35 years. In the long term, however, the system will face an imbalance. The 1999 trustees' report includes three important dates related to the imbalance.

- The Social Security actuaries project that in 2014, benefit payments will begin to exceed the combination of payroll tax revenues and funds that Social Security receives from the taxation of a portion of the Social Security benefits that higher-income beneficiaries receive. Nevertheless, annual trust fund income — which includes the interest earnings the trust funds receive on the Treasury bonds they hold, as well as the income from tax revenue — will continue to exceed benefit payments for a number of years after 2014. Social Security will continue to pay full benefits during this period.
- The second key date is the year in which the combination of annual tax revenues and interest earnings will no longer be sufficient to cover all benefit costs, and the trustees will have to begin redeeming Treasury bonds they hold to raise the additional funds needed to pay full benefits. The trustees' report projects this will occur in 2022. During the years between 2022 and the third key date, Social Security will continue to pay full benefits, because the combination of tax revenues, interest earnings, and income from redeeming Treasury bonds will be sufficient to do so.
- The third key date is the year in which the Social Security surpluses now building up will be exhausted. After that, the only income to the trust funds will be from payroll tax revenue and funds from the partial taxation of benefits, and annual revenues will not be sufficient to pay full benefits. The trustees project this year to be 2034.

There has been confusion and misunderstanding about the third key date. It sometimes is portrayed as the date on which Social Security runs out of money. Many Americans mistakenly think this means there will be no benefits for them after 2034.

This is not the case. As the trustees have said, Social Security will not be out of money when the trust fund surplus is exhausted in 2034. The trust funds will continue after that to receive large sums from payroll tax collections. The problem is that, according to the trustees' calculations, the incoming revenues after that date will be sufficient to cover about 70 percent of benefit payments, rather than 100 percent. That is what is meant when the term "insolvency" is used to describe the condition of the trust funds after the third key date.

That the revenues will be sufficient to defray about 70 percent rather than 100 percent of benefit costs signals the need for action to restore long-term actuarial balance to the Social Security system. But the widespread belief that revenues will cover *zero* percent of benefits after 2034 is incorrect. Moreover, data in the new report show that the percentage of benefits which Social Security revenues will be able to cover will remain fairly level after 2034, declining a few percentage points over subsequent decades.

The trustees' report also contains one other key number related to Social Security's long-term imbalance — the size of the projected shortfall in Social Security over the next 75 years. The new report places the amount of the shortfall — that is, the amount by which trust fund income and revenues over the next 75 years will fall short of what is needed to pay full benefits over that period — at 2.07 percent of taxable payroll over the 75-year-period.

The key dates and the long-term deficit show an improvement over the trustees' 1997 and 1998 reports, which the trustees attribute to better actual and expected economic performance. As indicated in the Table on page 3, the long-term deficit in Social Security has declined from 2.23 percent of taxable payroll in the trustees' 1997 report and 2.19 percent in the 1998 report to 2.07 percent in the new report. The date by which the trust funds are projected to be exhausted has moved back from 2029, as forecast in 1997, to 2032 as projected last year and to 2034 in the new report.

Trustees' Projections are Conservative

The trustees' reports regularly provide three sets of projections due to the uncertainty of making estimates over a period as long as 75 years. One set of projections incorporates fairly optimistic economic and demographic assumptions. A second set is based on pessimistic assumptions. The third set consists of intermediate estimates, regarded by the trustees as the "best estimates." The dates referred to above are the best estimates (i.e., the intermediate assumptions).

The trustees' intermediate estimates are conservative. These estimates assume that growth in the national economy, as measured by change in the real gross domestic product, will average 1.5 percent per year over the next 75 years. This rate is about half the average rate of growth over the past 75 years. Given the projected decline in the rate of growth of the labor force in the future, the trustees' estimate of future economic growth is understandably cautious. Should this cautious projection prove too conservative, as could be the case, the long-term financial status of Social Security could be better than the trustees project.

Social Security Surplus Has Not Evaporated Due to Excess Spending in the Rest of the Budget

Polling data indicate that much of the general public mistakenly believes Social Security will not be able to pay full benefits until 2032 and will be able to pay few or no benefits after that date. The polling data indicate that one reason many Americans hold such views is the widespread belief that the government has squandered the Social Security surplus by spending it on other items, and that the surplus consequently will not be available for benefits when needed. This perception is not correct.

The surplus revenues that the Social Security trust funds receive each year (i.e., the amounts by which the trust funds' income in a year exceeds the amount needed to pay Social Security benefits and administrative costs in that year) are provided to the U.S. Treasury. In return, the Treasury provides the trust funds with Treasury bonds backed by the full faith and credit of the U.S. government. These bonds are assets that private investment fund managers regard as the

	1997 Report	1998 Report	1998 Report
Long Term Deficit	2.23%	2.19%	2.07%
Year Costs Exceed Tax Revenue	2012	2013	2014
Year Costs Exceed Tax Revenue and Interest	2019	2021	2022
Year In Which Social Security Surplus is Exhausted	2029	2032	2034

safest and most secure investments they can make. When financial markets become volatile, many private investors shift assets into Treasury securities to avert losses.

Under current law, once these surplus revenues are provided to the Treasury, they may be used to help fund other government operations. This is a practice that has been followed for many years. *This practice has not reduced the assets of the Social Security trust funds*. Once the trust funds use their surplus revenues to purchase Treasury bonds, what the Treasury does with these revenues does not directly affect the trust funds' assets. The trust funds receive the same amount of Treasury bonds whether the Treasury then uses these revenues to fund a program, finance a tax cut, or pay down the debt.

To be sure, if the Treasury uses these revenues to pay down debt rather than to expand programs or institute tax cuts, that should add to national saving. If such a policy is maintained over many years, it should result in a modestly larger economy that will generate increased payroll tax revenue for the trust funds in future decades. But the notion that the trust funds have been raided and this is why Social Security faces long-term financial difficulties is incorrect. Social Security faces a long-term problem for demographic and economic reasons, not because the trust funds have somehow been looted.

CENTER ON BUDGET
AND POLICY PRIORITIES

To: Congressional and Administration staff interested in Social Security
From: Ellen Nissenbaum, Legislative Director
Subject: **NEW REPORTS ON SOCIAL SECURITY**

We are enclosing a new Center analysis that examines the impact of Social Security on poverty among the elderly, along with a brief piece on the report the Social Security actuaries issued last week on Social Security's financial status. Please note that the report on Social Security and elderly poverty includes data for 43 states, as well as national data, on the effect of Social Security in reducing poverty among both the elderly population overall and elderly women.

The state-by-state data are based on an analysis of Census data for each state for the five years from 1993 through 1997. (Data are not included for seven states with the smallest elderly populations; the Census data do not contain large enough sample sizes to provide reliable estimates for these states.)

We have included an executive summary of the new analysis that contains tables providing key data for each state, along with the full report and a packet of one-page, state-specific fact sheets which highlight the principal findings for each of the 43 states for which the report contains state-level data. (The state-specific fact sheets do not include data for Alaska, Delaware, Montana, North Dakota, South Dakota, Wyoming, and Vermont; consequently, the materials for Congressional offices from these seven states do not include these state-specific fact sheets.)

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Charities Here Fear Losing Mobil Money

With Exxon Merger, Texas May Get Gifts

By Cindy Loose
Washington Post Staff Writer

The Women's Center's little grant doesn't really register in the context of an $81,000,000,000 corporate merger. But to Judy Mueller and her organization in Vienna, the $26,000 from the Mobil Oil Foundation means a lot.

The money is nice. But the grant is worth much more than dollars. "It gives you instant credibility all over the world," said Mueller, founder of the center, which provides mental health services and has an annual budget of nearly $2 million.

But now, Washington area charities that have depended on the kindness of Mobil feel threatened by the pending merger between the corporate giant and the even bigger Exxon Corp. If Fairfax-based Mobil is swallowed by Texas-based Exxon, corporate donations could head South. Moreover, when two companies merge, the new entity tends to give less to charity than the combined donations of the original two.

"I'm devastated by the merger talks," said Mueller, who quickly censored herself. "Perhaps I should just say I'm in a state of suspense."

This is an anxious time for many recipients of Mobil's $31.6 million in annual contributions—and of Exxon's $55.4 million. Locally, Mobil hands out more than $4 million a year—nearly 10 percent of the money given by the area's top 10 corporate philanthropists—and provides a wealth of highly educated and skilled volunteers. In 1997, Mobil was the seventh most generous corporate philanthropist in the region.

Each company has its own culture and philanthropic philosophy. Mobil is somewhat more generous than Exxon, having given 0.9 percent of its profits last year, compared with Exxon's 0.6 percent. The national average for corporations is 1 percent.

Mobil is best known as a patron of the arts. It has underwritten PBS's "Masterpiece Theatre" for 28 years—a commitment that will be honored through 2003, Mobil spokeswoman Lauren Kerr said.

Exxon is most famous for its environmental giving—a largess that has prompted some environmentalists to accuse the company of trying to buy friends in the wake of the Exxon Valdez oil spill.

"I don't think it's good news for philanthropy," said Peter Dobkin Hall, director of a Yale University program that monitors corporate giving.

Exxon gives out money "as unimaginatively as it possibly could," Hall said, and pays little attention to trying to define the important issues. In contrast, he said, Mobil has a reputation as a thoughtful, creative giver and as an important supporter of the arts.

"What's going to happen once Rome has swallowed Greece, I haven't a clue," Hall said, "but I don't think it's going to be good unless there is some miracle at Exxon."

The philanthropic world has seen the charitable fallout of many corporate mergers in the last decade—$783 billion worth of mergers took place in just the first six months of this year. Dorothy S. Rider, president of the Council on Foundations, said experience shows anything can happen.

Some merged companies have actually increased giving. Some have left behind well-endowed foundations in the cities and towns abandoned when one firm relocates. Some have walked away without a thought.

Charities and arts groups dependent on either Mobil or Exxon shouldn't hold their breath. The cherry blossoms will have bloomed before executives at Mobil and Exxon consider the merger's implications for charitable giving.

"We are at the very beginning of a very huge deal. We're not to that level of detail yet," said Mobil's Kerr. Discussions about the giving programs will not even begin "for six months at the earliest."

Location plays a big role in companies' decisions about who gets what—a fact demonstrated by Exxon's move from New York to Texas some years back. The Big Apple lost $4.1 million in charitable donations; Texas gained about the same amount.

"Exxon matches every donated employee dollar with $3, which is a major contributor base for our institution," said Ed Davis, president of the Texas A&M Foundation. The university received more than $500,000 last year from Exxon.

"Giving from an Exxon/Mobil base could go up substantially from the matching gift program alone," he said.

In 1997, Mobil was one of 10 local corporations that gave more than $1 million to charity. Local beneficiaries of Mobil's largess say they are waiting to see how things shake out and are reluctant to say anything that could be construed as critical. Hope—a sort of whistling past the graveyard—seems to be the prevailing sentiment.

"Mobil's heart has always been in the right place," said Rick Gondella, a spokesman for America's Charities in Fairfax, which received $331,185 from Mobil last year. "We would expect that to continue."

But a list of grants to umbrella groups similar to America's Charities suggests Mobil is geographically strategic: The United Way in neighboring Alexandria received just $25,000 from Mobil last year.

Ellen Grant, manager of corporate fund-raising at the Kennedy Center, told the Wall Street Journal recently: "We're all in depression here. I'm sure foundations around the country are tearing their hair out over this."

But a call to Grant was returned by Kennedy Center President Lawrence J. Wilker, who said that the center, which last year received $110,000 from Mobil and $70,000 from Exxon, is "not particularly concerned." Both companies, he said, are strong supporters, and "we have every hope and have every reason to believe they will continue to recognize the arts in society and support programs."

Although the companies are best known for arts and environmental support, both give the largest portion of their money to education—mostly higher education. Locally, George Mason University Foundation received $30,500 from Mobil. Georgetown received $130,000 in grants to its Center for Contemporary Arab Studies and for seminars on energy production in the Arabian Gulf.

"It's not typical, but merged companies have increased their combined giving," said Rider of the Council on Foundations. "Almost any scenario you can imagine has happened somewhere. Public relations is a significant factor. In one case, the local nonprofit community launched a letter-writing campaign and won major commitments."

Last year, when First American Corp. bought Deposit Guaranty Corp., the larger Nashville firm endowed a $15 million foundation for communities that had been served by the smaller firm.

A $100 million foundation was set up for the jurisdictions served by CoreStates Financial Corp. when First Union Corp. merged with it to create the largest banking group on the Eastern Seaboard.

Five months before announcing they had merged, high-level executives from NationsBank and BankAmerica created plans for a new corporate foundation which funded charities in 100 communities.

The philanthropic community here intends to court Exxon when the time seems right.

"We will want to talk with the leadership at Exxon to be sure they get to know this community well and continue strategic philanthropy here," said Julie Rogers, of the Eugene and Agnes E. Meyer Foundation.

Service providers in the District had long grumbled that Mobil focused too much on Northern Virginia when giving to grass-roots charities.

The company actually gave more to groups with District addresses than to those in Virginia, but most of those dollars were for glitzy arts or education endeavors, rather than services for the poor. However, that trend seemed to be changing more recently, raising expectations now in suspended animation.

"Certainly [Mobil Chairman] Lou Noto understood this was a moment in the nation's capital when you could turn things around for people who live here," said Rogers. "That's a message we'll want to explore with the Exxon/Mobil Foundation."

Businessman Lyles Carr, a leader in the region's philanthropic community, said he had over the years approached Mobil about donating to numerous District charities and "never saw a dime." However, he added, "encouraging signs from Mobil" had convinced people that things were changing.

But before the encouraging signs could materialize, a different kind of change occurred. What comes next is a matter of conjecture.

"If we can show Exxon-Mobil the importance of the nation's capital to the entire country," said Carr, "they will accept the mantle of civic leadership in this region."

The Washington Post
Monday, December 7, 1998

Clinton Looks to Political Center to Revive Domestic Agenda

By John F. Harris
Washington Post Staff Writer

While many Republicans last week were talking about how they want to remove President Clinton from office, he stood before the cameras on the South Lawn to say what he would like to do with them: reach "across party lines to create a new season of achievement and progress for the American people."

The ill will at the White House toward congressional Republicans these days is every bit as strong as their sentiments toward him. But presidential advisers say they are focused on a larger reality: While Clinton's ability to remain in office after a year of personal scandal looks secure, his ability to use that office productively requires him to rapidly repair relations with the GOP, especially with its more moderate members.

Even amid the rancor of impeachment proceedings, there is a growing sense in the White House that early 1999 offers a decent chance—probably the last one Clinton will have as president—to enact the large domestic agenda that, for the most part, eluded him this year.

Clinton, who came into office largely on the strength of domestic policy, has a relatively small window for reviving his legislative influence and enacting proposals before 2000 presidential politics begin in earnest. He intends to use the first half of next year to revive two major proposals from last year—anti-smoking legislation and a "bill of rights" for patients of health maintenance organizations—and, most ambitiously, to push a long-term overhaul of Social Security.

Clinton's theory is that mostly united Democrats in Congress, combined with moderate Republicans eager to compromise to pass legislation, will allow the creation of centrist majorities on an issue-by-issue basis.

"I think this is a moment in which there is a realistic chance to build a bipartisan consensus for the very substantial agenda we will put forward," said White House Chief of Staff John D. Podesta.

Some moderate Republicans endorse the same political logic. "We certainly want to move ahead in a pragmatic way to deal with the issues," said Rep. Marge Roukema (R-N.J.). "The last two or three years we've been drawing too many lines in the sand."

However appealing this theory, there are likely to be considerable obstacles in practice. Clinton has not had an impressive record of pushing controversial legislative items to passage. His prominent setbacks include the first-term health care proposal, the fast-track trade proposal last year and the demise of his youth anti-smoking package last summer.

Social Security reform, which will be at the top of his domestic agenda next year, is a politically problematic issue under the best of circumstances. It is even more so given the deep mistrust between Clinton and Republicans on the issue of social entitlements. Republicans bitterly recall how Clinton used the issue of Medicare against them in 1996, when he lashed the GOP as heartless extremists for their plans to limit spending in the soon-to-be-broke health care program for senior citizens.

To fashion a cooperative working spirit on Social Security, the White House will sponsor a symposium on the issue this week, including Republicans.

Clinton, aides said, strongly wants to enact Social Security reform as part of his domestic legacy. But some congressional Democrats, as well some Clinton advisers, see much less urgency for making significant changes in a popular program that, while facing worrisome demographic trends, is not projected to go bankrupt for another 30 years. These go-slow voices are especially wary of changes that would involve acceding to any of the various Republican proposals to allow individuals to direct portions of their Social Security into stocks.

Already, the administration's internal deliberations about Social Security revolve around how to manage the political sensitivity of the issue. Clinton faces both a tactical question and a strategic one. The tactical one is whether he should come out next year with a specific proposal for revamping Social Security and try to pass it, or whether he should lay down broad principles of what he finds acceptable and let specific ideas emerge from Congress.

The strategic debate is how accommodating Clinton should be to various Republican innovations that would, to greater or lesser degrees, "privatize" Social Security.

Treasury Secretary Robert E. Rubin is especially hostile to ideas that would have Social Security funds mingled with equity markets, administration officials said. National economic adviser Gene Sperling, eager to preserve Clinton's flexibility for deal-making with Republicans, has advocated keeping an open-door to many of even the more far-reaching GOP experiments for Social Security.

Clinton earlier was leaning toward just laying out general

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The Washington Post
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Social Security and Poverty Among the Elderly

A National and State Perspective

Kathryn H. Porter
Kathy Larin
Wendell Primus

CENTER ON BUDGET AND POLICY PRIORITIES

The **Center on Budget and Policy Priorities**, located in Washington, D.C., is a non-profit, research and policy institute that conducts research and analysis of government policies and the programs and public policy issues that affect low- and middle-income households. The Center is supported by foundations, individual contributors, and publications sales.

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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.

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. Thus, 30.7 percent of all elderly people in California were lifted from

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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.

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.

- 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

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.

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.

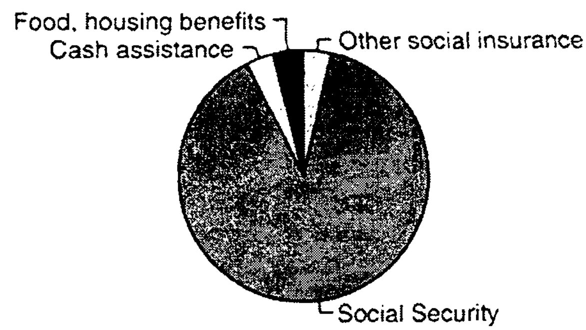
Overall Effects on Elderly Poverty

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



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.

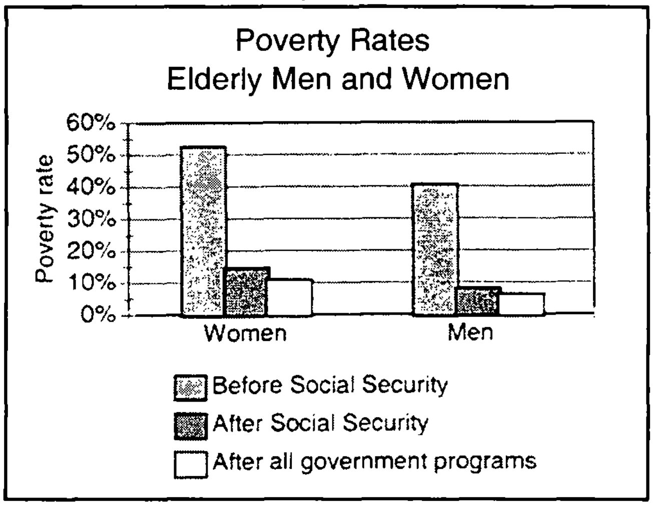
Social Security is the principal source of income for many middle-income elderly people as well as for those of lesser means. It makes up approximately 80 percent of the income of both the poorest fifth of elderly people and the next-to-the-poorest fifth. It provides 62 percent of the income of those 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.

Figure B



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.

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.

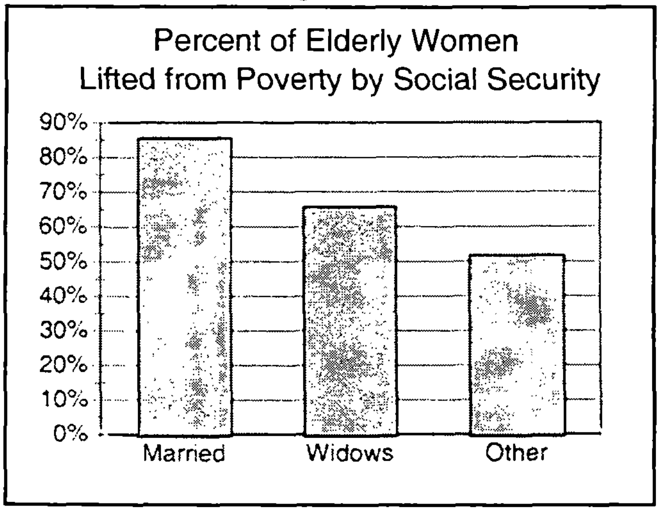
- In 1995-1997, Social Security benefits lifted from poverty 85.6 percent of *married* women who would be poor without it — or six of every seven such women. (These figures are based on averages of three years of Census data. Three years of data were used to provide adequate sample sizes.)

- 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



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

[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 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 encompasses cash assistance provided by state and local governments, including

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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.

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

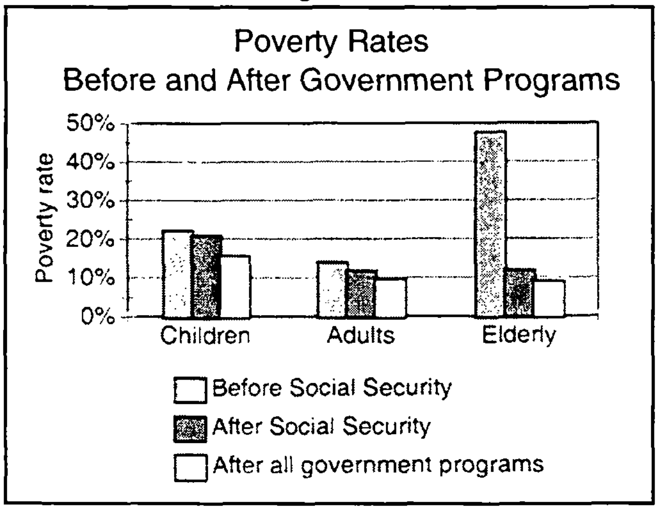
Chapter two discusses the impact of Social Security on elderly poverty by race and income. It also includes a discussion of the extent to which Social Security serves as a source of income to the elderly population as a whole.

In chapter three, the particular effect of Social Security on poverty among elderly women is explored. Chapter four 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. 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.

Figure 1



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

How the State Estimates Were Calculated

State-by-state estimates of the impact of Social Security on elderly poverty were calculated using Census Bureau data from the Current Population Surveys for 1993, 1994, 1995, 1996, and 1997. Five years of data were used to increase sample sizes and therefore the accuracy of the state estimates.

The state-by-state tables in this chapter show the best estimates of elderly poverty rates for all but the smallest states, based on the Current Population Survey sample for each state. (For the smallest states, sample sizes are not large enough to obtain reliable estimates.) Because of sampling variability, these estimates may vary from the true elderly poverty rates for the states. Tables in the appendix provide low and high estimates for each state, which represent the upper and lower bounds of the 90-percent confidence interval around the best estimate for each state. This means there is a 90 percent probability that the true number falls between the low estimate and the high estimate for each state. The methodology used to pool the five years of Census data and calculate the confidence intervals follows the Census Bureau's recommended procedures.

Because of the relatively small sample sizes in many states, comparisons among states may not be not reliable. The confidence intervals for the smaller states are wider than those for the larger states and indicate a higher degree of uncertainty about the best estimates for these states.

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 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.

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.

Table 1
Impact of Social Security on Elderly People

	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%
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%
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%

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, Montana, North Dakota, South Dakota, Vermont, and Wyoming.

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.

- 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.

Table 2
Impact of Social Security on the Elderly Poor

	Best Estimate of Number of Elderly Who are Poor Before Social Security (in Thousands)	Best Estimate of Number of Elderly Who are Poor After Social Security (in Thousands)	Best Estimate of Number of Elderly Lifted from Poverty by Social Security (in Thousands)	Best Estimate of Percent of Elderly Who Would be Poor Without Social Security Who are 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%
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%
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%

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, Montana, North Dakota, South Dakota, Vermont, and Wyoming.

- 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.

- 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

Table 3
Impact of Social Security on Elderly Women

	Best Estimate of Percent of Elderly Women Who are Poor Before Social Security	Best Estimate of Percent of Elderly Women Who are Poor 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%
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%
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%

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, Montana, North Dakota, South Dakota, Vermont, and Wyoming.

Table 4
Impact of Social Security on Poor Elderly Women

	Best Estimate of Number of Elderly Women Who are Poor Before Social Security (in Thousands)	Best Estimate of Number of Elderly Women Who are Poor After Social Security (in Thousands)	Best Estimate of Number of Elderly Women Lifted from Poverty by Social Security (in Thousands)	Best Estimate of Percent of Elderly Women Who Would be Poor Without Social Security Who are 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%
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%
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%

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, Montana, North Dakota, South Dakota, Vermont, and Wyoming.

would be poor — 66 percent — are removed from poverty by Social Security.

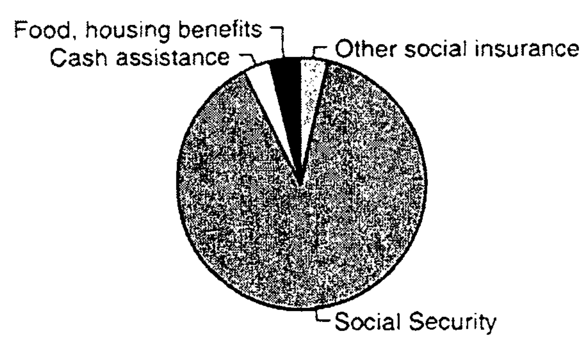
- Social Security also lifts out of poverty an estimated 456,000 elderly women in Pennsylvania, 366,000 in Texas, 335,000 in Ohio, 324,000 in Illinois, 279,000 in Michigan, and 224,000 in New Jersey. In all of these states except Texas, Social Security lifts from poverty about three of every four elderly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

Figure 2

Proportion of Elderly Lifted Out of Poverty by Government Programs



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.

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

How the Impacts of Social Security on Poverty were Calculated

This report examines the impact of Social Security on elderly poverty through two different comparisons. In most of the report, we compare the number of poor after counting all social insurance benefits, except Social Security, to the number poor after counting social insurance benefits, including Social Security. The difference is the effect of Social Security on poverty.

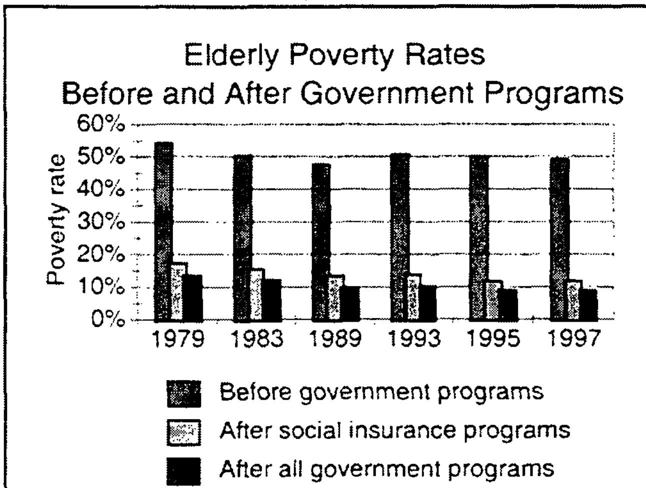
In some parts of the report, we compare the number of poor before counting any government programs to the number of poor after counting all social insurance programs, including Social Security. In this case, the difference is referred to as the impact of Social Security and social insurance benefits on poverty. It should be noted that nearly all of the combined impact of Social Security and other social insurance programs on poverty among the elderly population is due to the effect of Social Security. In 1997, some 96 percent of the reduction in the number of elderly poor due to Social Security and other social insurance programs was due to the effect of Social Security alone.

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

Figure 3



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.

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%

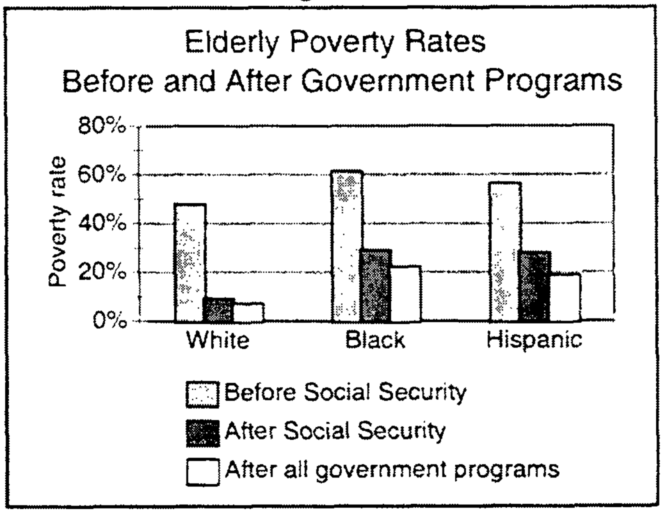
Social Security is responsible for the vast majority of elderly people lifted out of poverty by government programs. In 1997, some 92.5 percent of the elderly who were lifted from poverty by all government programs combined were lifted out by Social Security and other social insurance programs.

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.

Social Security reduces poverty rates by at least half 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.)

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.

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.

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

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 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.

Table 6
Social Security Contribution to Income of Elderly

	Number of elderly	Proportion of elderly population
Social Security makes up half or more of total income	19.8 million	54.6%
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%

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
Percentage 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%

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

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.)

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, 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, 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.

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

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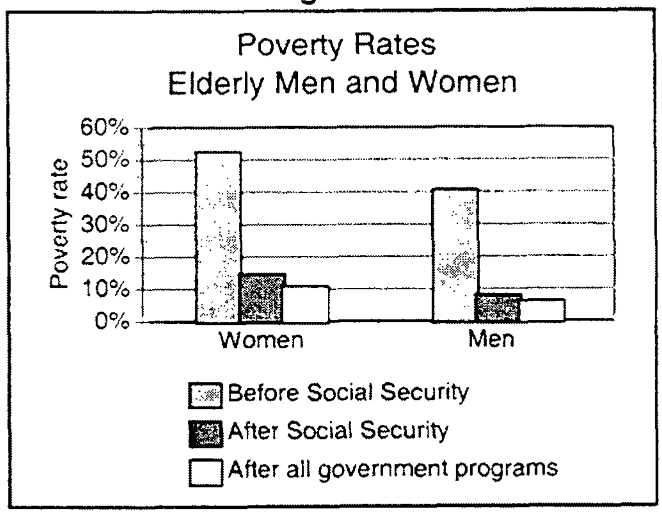
[10] Social Security Administration, Earnings and Employment Data for Workers Covered Under Social Security by State and County, 1995, Table 1, published October 1, 1998 and Annual Statistical Supplement to the Social Security Bulletin, 1998, Table 5.A16.

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.)

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

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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.

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 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.

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.)

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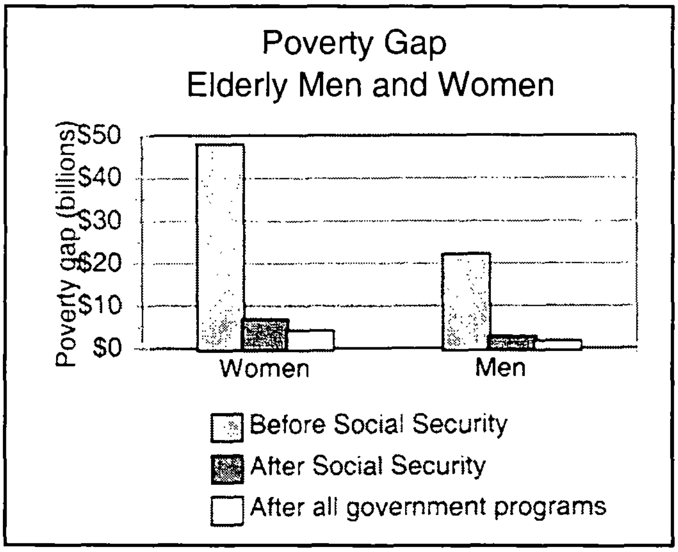
[13] Bureau of the Census, *Money Income in the United States: 1997*, U.S. Department of Commerce, September 1998.

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

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 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.

Figure 6



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.

Table 10
Social Security as Proportion of Income of Elderly Women, 1997

	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%

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 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.

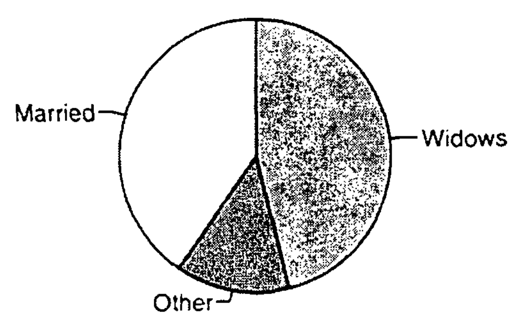
Effect on Poverty Greatest for Married Women

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 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. Among women 65 and older in 1997, some 40.7 percent were married, 45.2 percent were widows, and 14 percent were never married, divorced, or separated. (See Figure 7.)

Figure 7

Elderly Women by Marital Status



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.)[16]

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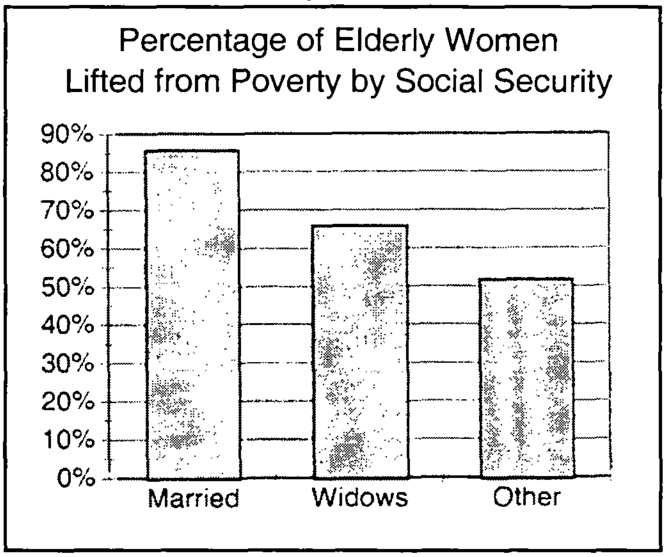
[15] Social Security benefits are structured so one spouse can receive Social Security benefits based on the earnings of the other spouse. This is particularly important to women because their earnings tend to be lower than the earnings of their husbands. The lower-earning spouse is entitled to a Social 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] This analysis of poverty and income sources of elderly women, categorized by age and marital status, is based on an average of Current Population Survey data for the three years from 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 lifts from poverty a larger proportion of elderly women who are married than of those who are widowed or otherwise unmarried.

Figure 8



- 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.

- 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.

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.[17]

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.

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.

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 of

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[17] 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.

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

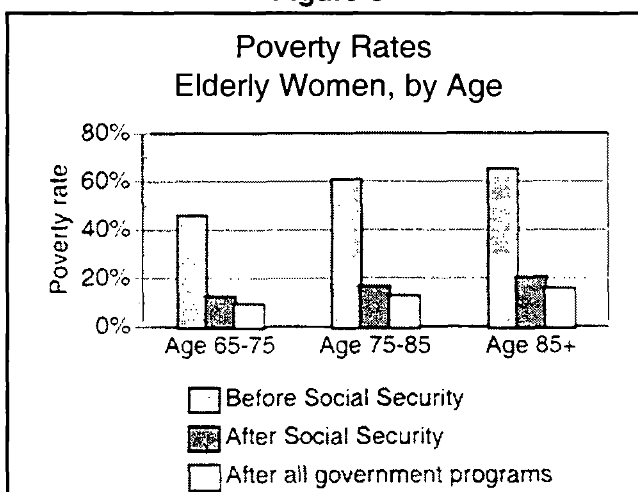
	Married Women	Widows	Other Unmarried Women
Social Security makes up half or more of total income	56.5%	73.1%	60.3%
Social Security makes up three-quarters or more of total income	31.9%	53.0%	41.5%
Social Security makes up 90 percent or more of total income	20.3%	39.8%	31.0%
Social Security is only source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

them, 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 9.)

Figure 9



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	75-85	85+
Social Security makes up half or more of total income	57.7%	72.2%	74.8%
Social Security makes up three-quarters or more of total income	35.9%	50.3%	54.5%
Social Security makes up 90 percent or more of total income	25.3%	35.4%	42.8%
Social Security is only source of income	14.9%	20.1%	26.4%

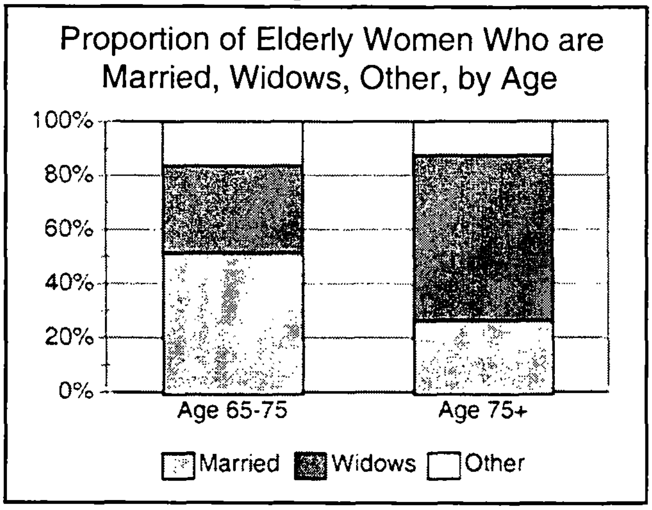
The proportion of women for whom Social Security is their sole source of income also increases with age. Some 14.9 percent of women age 65 to 75 relied on Social Security as their only source of income. Some 20.1 percent of those 75 to 85 relied on Social Security as their sole income source, as did 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 10.) 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.[18]

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

Figure 10



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.)

[18] 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.

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

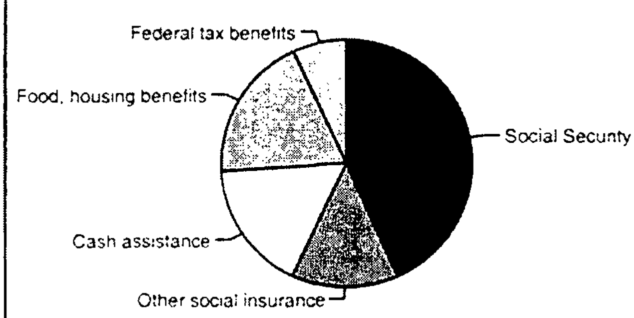
	Married Women		Widows	
	65-75	75+	65-75	75+
Social Security makes up half or more of total income	52.4%	65.9%	67.0%	76.8%
Social Security makes up three-quarters or more of total income	27.9%	40.5%	47.3%	56.6%
Social Security makes up 90 percent or more of total income	17.9%	25.6%	35.9%	42.2%
Social 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.[19]

Figure 11

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



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

[19] 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.

other government program. (See Figure 11.) 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 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.[20]

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.[21] 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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[20] 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.

[21] 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.

Appendix Tables

Table A-1
Impact of Social Security on Elderly People

	Percent Poor Before Social Security			Percent Poor After Social Security			Percent Lifted From Poverty By Social Security		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Alabama	53.5%	56.0%	58.5%	15.7%	17.6%	19.5%	33.2%	38.4%	43.6%
Arizona	40.9%	43.4%	45.9%	8.9%	10.5%	12.1%	28.0%	32.9%	37.8%
Arkansas	57.9%	60.4%	62.9%	17.8%	19.9%	21.9%	35.2%	40.5%	45.9%
California	42.1%	43.2%	44.4%	11.8%	12.5%	13.3%	28.4%	30.7%	33.0%
Colorado	34.2%	37.2%	40.3%	6.7%	8.5%	10.2%	22.9%	28.8%	34.6%
Connecticut	37.3%	40.2%	43.0%	4.8%	6.2%	7.6%	28.8%	34.0%	39.2%
Florida	47.6%	48.7%	49.9%	11.1%	11.9%	12.6%	34.6%	36.9%	39.2%
Georgia	47.1%	49.7%	52.4%	13.6%	15.6%	17.6%	28.7%	34.1%	39.6%
Hawaii	28.3%	30.9%	33.6%	7.5%	9.2%	10.8%	16.6%	21.7%	26.9%
Idaho	46.7%	49.3%	52.0%	7.8%	9.4%	10.9%	34.9%	40.0%	45.0%
Illinois	46.8%	48.4%	50.0%	9.2%	10.1%	11.1%	35.2%	38.3%	41.3%
Indiana	51.3%	54.0%	56.7%	8.1%	9.7%	11.3%	39.1%	44.3%	49.5%
Iowa	46.9%	49.5%	52.1%	8.3%	9.8%	11.4%	34.7%	39.7%	44.7%
Kansas	46.7%	49.4%	52.0%	9.9%	11.6%	13.3%	32.6%	37.8%	43.0%
Kentucky	49.9%	52.6%	55.2%	12.0%	13.8%	15.6%	33.5%	38.8%	44.0%
Louisiana	52.0%	54.9%	57.7%	16.8%	19.0%	21.3%	29.9%	35.9%	41.8%
Maine	51.8%	54.6%	57.4%	11.1%	13.0%	14.9%	36.0%	41.5%	47.1%
Maryland	38.5%	41.3%	44.1%	9.2%	11.0%	12.7%	24.8%	30.3%	35.8%
Massachusetts	45.6%	47.4%	49.2%	10.3%	11.4%	12.5%	32.5%	36.0%	39.5%
Michigan	46.3%	47.9%	49.5%	9.0%	10.0%	10.9%	34.9%	37.9%	41.0%
Minnesota	48.7%	51.7%	54.7%	9.6%	11.5%	13.4%	34.4%	40.2%	46.0%
Mississippi	57.7%	60.3%	63.0%	19.1%	21.3%	23.5%	33.4%	39.0%	44.7%
Missouri	45.5%	48.1%	50.8%	9.8%	11.4%	13.1%	31.6%	36.7%	41.8%
Nebraska	50.0%	52.7%	55.4%	9.2%	10.9%	12.6%	36.6%	41.8%	47.0%
Nevada	42.3%	45.1%	47.8%	7.7%	9.3%	10.8%	30.6%	35.8%	41.0%
New Hampshire	45.2%	48.3%	51.5%	6.8%	8.6%	10.4%	33.8%	39.8%	45.8%
New Jersey	42.2%	43.8%	45.4%	8.8%	9.7%	10.7%	31.0%	34.0%	37.1%
New Mexico	45.6%	48.4%	51.1%	15.0%	17.0%	19.1%	25.7%	31.3%	37.0%
New York	48.9%	50.0%	51.1%	14.3%	15.1%	16.0%	32.6%	34.9%	37.2%
North Carolina	52.2%	54.0%	55.7%	14.5%	15.7%	17.0%	34.7%	38.2%	41.7%
Ohio	47.3%	48.9%	50.4%	9.7%	10.6%	11.6%	35.3%	38.2%	41.2%
Oklahoma	52.2%	54.7%	57.3%	13.0%	14.9%	16.7%	34.7%	39.9%	45.0%
Oregon	43.5%	46.4%	49.3%	5.2%	6.7%	8.1%	34.4%	39.7%	45.0%
Pennsylvania	51.6%	53.0%	54.4%	9.7%	10.6%	11.4%	39.8%	42.4%	45.1%
Rhode Island	51.9%	54.6%	57.3%	10.9%	12.7%	14.5%	36.6%	42.0%	47.3%
South Carolina	54.2%	57.0%	59.9%	16.0%	18.2%	20.4%	32.9%	38.8%	44.8%
Tennessee	50.8%	53.6%	56.4%	16.8%	19.1%	21.3%	28.7%	34.6%	40.4%
Texas	48.8%	50.3%	51.9%	15.4%	16.5%	17.7%	30.6%	33.8%	37.0%
Utah	37.1%	40.0%	42.8%	4.9%	6.4%	7.8%	28.4%	33.6%	38.8%
Virginia	42.0%	44.7%	47.4%	12.0%	13.8%	15.7%	25.5%	30.8%	36.2%
Washington	39.3%	42.3%	45.2%	7.6%	9.4%	11.1%	27.2%	32.9%	38.6%
West Virginia	56.3%	58.5%	60.8%	13.8%	15.5%	17.2%	38.4%	43.0%	47.6%
Wisconsin	44.9%	47.7%	50.4%	7.5%	9.0%	10.6%	33.4%	38.6%	43.9%

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, Montana, North Dakota, South Dakota, Vermont, and Wyoming.

Table A-2
Impact of Social Security on the Number of Poor Elderly
(In Thousands)

	Number Poor Before Social Security			Number Poor After Social Security		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Alabama	105	324	543	(21)	101	223
Arizona	52	235	417	(33)	57	147
Arkansas	69	200	330	(9)	66	141
California	950	1,450	1,949	147	421	695
Colorado	(3)	128	260	(33)	30	93
Connecticut	15	180	344	(37)	28	93
Florida	779	1,166	1,552	91	282	474
Georgia	86	369	651	(42)	116	274
Hawaii	(2)	46	94	(12)	14	39
Idaho	15	65	114	(9)	12	33
Illinois	359	654	949	1	137	272
Indiana	95	375	655	(52)	66	184
Iowa	48	185	321	(24)	37	98
Kansas	39	161	283	(21)	37	96
Kentucky	68	253	438	(28)	66	161
Louisiana	61	257	452	(27)	88	204
Maine	20	88	156	(12)	21	54
Maryland	26	251	475	(47)	67	182
Massachusetts	173	357	541	(4)	86	176
Michigan	303	561	820	(1)	116	234
Minnesota	42	242	442	(41)	54	149
Mississippi	57	186	316	(10)	66	143
Missouri	85	348	612	(44)	83	210
Nebraska	27	106	185	(14)	22	58
Nevada	15	85	155	(14)	17	49
New Hampshire	5	65	125	(14)	12	37
New Jersey	222	433	644	(5)	96	197
New Mexico	18	90	162	(11)	32	74
New York	799	1,165	1,531	149	353	556
North Carolina	255	479	702	22	140	258
Ohio	386	686	986	9	149	289
Oklahoma	69	226	384	(21)	61	143
Oregon	26	174	322	(31)	25	81
Pennsylvania	573	914	1,256	27	182	337
Rhode Island	23	83	144	(10)	20	49
South Carolina	53	223	393	(25)	71	168
Tennessee	68	305	543	(33)	108	248
Texas	516	904	1,293	73	298	523
Utah	5	72	139	(15)	11	37
Virginia	62	312	563	(44)	96	237
Washington	21	237	454	(47)	54	155
West Virginia	68	170	273	(7)	45	98
Wisconsin	57	271	486	(42)	51	144

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, Montana, North Dakota, South Dakota, Vermont, and Wyoming.

Table A-3
Impact of Social Security on Poor Elderly

	Number Lifted From Poverty by Social Security (In Thousands)			Percent Poor Lifted From Poverty By Social Security		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Alabama	181	222	264	53.8%	68.6%	83.5%
Arizona	144	177	211	58.7%	75.8%	92.9%
Arkansas	109	134	159	52.7%	67.1%	81.6%
California	935	1029	1123	63.5%	71.0%	78.6%
Colorado	74	98	122	53.8%	77.1%	100.4%
Connecticut	123	152	181	64.1%	84.6%	105.1%
Florida	812	883	954	68.3%	75.6%	83.0%
Georgia	199	253	306	51.7%	68.5%	85.3%
Hawaii	24	33	42	47.1%	69.8%	92.6%
Idaho	44	52	61	64.0%	81.1%	98.1%
Illinois	464	517	571	69.0%	79.1%	89.3%
Indiana	259	309	359	65.6%	82.3%	99.0%
Iowa	123	148	172	63.5%	80.3%	97.1%
Kansas	101	124	146	59.7%	76.5%	93.2%
Kentucky	152	186	221	57.6%	73.8%	90.0%
Louisiana	131	169	206	48.5%	65.3%	82.2%
Maine	55	67	80	58.8%	75.9%	92.9%
Maryland	142	183	225	53.6%	73.3%	93.1%
Massachusetts	237	271	305	64.5%	76.0%	87.5%
Michigan	399	445	492	69.1%	79.3%	89.5%
Minnesota	152	188	225	59.3%	77.7%	96.0%
Mississippi	95	120	145	49.1%	64.5%	79.8%
Missouri	217	265	314	59.5%	76.6%	93.6%
Nebraska	70	84	99	62.7%	79.3%	95.9%
Nevada	55	67	80	61.0%	79.4%	97.7%
New Hampshire	43	54	64	61.4%	82.0%	102.5%
New Jersey	298	337	375	66.9%	77.7%	88.6%
New Mexico	45	58	72	47.1%	64.5%	81.9%
New York	743	812	881	62.7%	69.6%	76.6%
North Carolina	297	339	380	60.4%	70.9%	81.4%
Ohio	482	537	591	68.6%	78.3%	88.0%
Oklahoma	136	165	195	57.5%	72.8%	88.2%
Oregon	123	149	175	66.7%	85.8%	104.9%
Pennsylvania	670	732	793	71.7%	80.0%	88.4%
Rhode Island	53	64	75	60.4%	76.8%	93.2%
South Carolina	119	152	184	51.4%	68.2%	85.1%
Tennessee	152	198	243	48.0%	65.0%	81.9%
Texas	533	607	681	57.6%	67.1%	76.6%
Utah	49	61	72	62.7%	83.8%	105.0%
Virginia	169	216	263	51.4%	69.1%	86.8%
Washington	144	183	223	57.0%	77.8%	98.7%
West Virginia	106	125	144	60.3%	73.5%	86.8%
Wisconsin	182	221	259	62.8%	80.8%	98.8%

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, Montana, North Dakota, South Dakota, Vermont, and Wyoming.

Table A-4
Impact of All Government Programs on Elderly

	Number Lifted From Poverty by Government Programs (In Thousands)			Percent Lifted From Poverty by Government Programs		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Alabama	219	261	302	40.0%	45.1%	50.2%
Arizona	164	198	232	31.9%	36.8%	41.6%
Arkansas	133	158	183	42.6%	47.8%	52.9%
California	1152	1240	1329	34.9%	37.0%	39.1%
Colorado	87	111	136	26.6%	32.4%	38.2%
Connecticut	133	164	194	31.3%	36.7%	42.0%
Florida	915	982	1050	38.9%	41.0%	43.2%
Georgia	240	296	352	34.4%	40.0%	45.6%
Hawaii	28	36	45	19.3%	24.2%	29.2%
Idaho	49	57	66	38.9%	43.7%	48.5%
Illinois	512	563	614	38.8%	41.7%	44.5%
Indiana	272	324	376	41.2%	46.5%	51.9%
Iowa	135	159	184	37.9%	42.9%	47.8%
Kansas	116	138	160	37.2%	42.2%	47.3%
Kentucky	171	206	241	37.6%	42.9%	48.2%
Louisiana	154	194	234	35.1%	41.3%	47.5%
Maine	65	77	89	42.2%	47.5%	52.7%
Maryland	169	210	251	29.3%	34.6%	40.0%
Massachusetts	277	304	332	37.6%	40.4%	43.2%
Michigan	443	485	527	38.7%	41.4%	44.1%
Minnesota	179	216	254	40.4%	46.1%	51.9%
Mississippi	115	140	164	40.1%	45.5%	50.9%
Missouri	243	292	341	35.2%	40.4%	45.5%
Nebraska	78	92	106	40.6%	45.6%	50.6%
Nevada	66	78	89	36.7%	41.3%	45.9%
New Hampshire	51	61	72	39.8%	45.5%	51.2%
New Jersey	341	375	409	35.3%	37.9%	40.6%
New Mexico	56	70	83	32.0%	37.5%	42.9%
New York	912	975	1039	39.8%	41.8%	43.9%
North Carolina	341	374	407	39.5%	42.2%	44.9%
Ohio	532	582	632	38.7%	41.4%	44.1%
Oklahoma	157	187	217	40.0%	45.2%	50.4%
Oregon	139	166	193	39.1%	44.3%	49.5%
Pennsylvania	747	806	866	44.3%	46.8%	49.3%
Rhode Island	62	74	85	43.3%	48.4%	53.5%
South Carolina	142	172	201	38.6%	43.9%	49.2%
Tennessee	181	224	267	33.8%	39.3%	44.8%
Texas	638	710	783	36.5%	39.5%	42.6%
Utah	52	64	76	30.4%	35.5%	40.7%
Virginia	195	239	284	29.3%	34.3%	39.4%
Washington	168	206	243	31.5%	36.8%	42.1%
West Virginia	127	147	167	45.8%	50.4%	55.1%
Wisconsin	203	240	278	37.2%	42.2%	47.2%

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, Montana, North Dakota, South Dakota, Vermont, and Wyoming.

Table A-5
Impact of Social Security on Elderly Women

	Percent of Elderly Women Who are Poor Before Social Security			Percent of Elderly Women Who are Poor After Social Security			Percentage of Poor Elderly Women Lifted From Poverty By Social Security		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Alabama	57.7%	60.9%	64.1%	18.8%	21.4%	24.1%	32.7%	39.5%	46.2%
Arizona	43.1%	46.5%	49.9%	9.6%	11.8%	14.0%	28.0%	34.7%	41.4%
Arkansas	63.2%	66.4%	69.5%	22.2%	25.1%	28.0%	34.1%	41.2%	48.4%
California	47.2%	48.7%	50.2%	14.2%	15.3%	16.4%	30.3%	33.4%	36.5%
Colorado	37.5%	41.8%	46.0%	7.9%	10.5%	13.0%	23.1%	31.3%	39.5%
Connecticut	42.1%	45.9%	49.6%	6.3%	8.4%	10.5%	30.4%	37.4%	44.4%
Florida	51.2%	52.8%	54.4%	13.3%	14.4%	15.5%	35.2%	38.4%	41.5%
Georgia	51.3%	54.8%	58.2%	17.8%	20.6%	23.4%	26.9%	34.2%	41.5%
Hawaii	30.4%	34.0%	37.6%	8.9%	11.3%	13.7%	15.6%	22.7%	29.8%
Idaho	49.6%	53.1%	56.6%	9.6%	11.8%	14.0%	34.4%	41.3%	48.1%
Illinois	52.9%	54.9%	57.0%	12.3%	13.7%	15.1%	37.1%	41.2%	45.4%
Indiana	54.8%	58.3%	61.8%	9.6%	11.9%	14.2%	39.5%	46.4%	53.3%
Iowa	51.9%	55.3%	58.7%	10.4%	12.6%	14.9%	35.9%	42.6%	49.4%
Kansas	48.7%	52.2%	55.6%	10.4%	12.7%	15.0%	32.7%	39.5%	46.3%
Kentucky	53.3%	56.9%	60.4%	15.5%	18.3%	21.0%	31.3%	38.6%	45.9%
Louisiana	53.7%	57.4%	61.1%	18.2%	21.3%	24.4%	28.1%	36.1%	44.1%
Maine	53.3%	57.0%	60.7%	11.9%	14.6%	17.2%	34.9%	42.4%	49.9%
Maryland	40.8%	44.5%	48.2%	10.7%	13.2%	15.7%	23.9%	31.3%	38.6%
Massachusetts	50.9%	53.3%	55.7%	12.2%	13.9%	15.5%	34.6%	39.4%	44.2%
Michigan	50.6%	52.6%	54.7%	11.3%	12.7%	14.0%	35.9%	39.9%	44.0%
Minnesota	52.0%	55.9%	59.8%	11.8%	14.6%	17.4%	33.3%	41.3%	49.2%
Mississippi	60.4%	63.8%	67.2%	23.0%	26.1%	29.2%	30.1%	37.7%	45.4%
Missouri	50.0%	53.5%	56.9%	12.4%	14.8%	17.2%	31.8%	38.7%	45.6%
Nebraska	53.9%	57.5%	61.0%	11.9%	14.4%	17.0%	35.9%	43.0%	50.2%
Nevada	46.4%	50.1%	53.8%	9.7%	12.1%	14.5%	30.8%	38.0%	45.2%
New Hampshire	49.6%	53.9%	58.2%	9.2%	12.0%	14.8%	33.4%	41.8%	50.3%
New Jersey	47.9%	50.0%	52.1%	10.4%	11.8%	13.1%	34.1%	38.2%	42.4%
New Mexico	48.8%	52.5%	56.2%	17.2%	20.2%	23.1%	24.6%	32.3%	40.1%
New York	54.0%	55.4%	56.9%	17.8%	18.9%	20.1%	33.5%	36.5%	39.6%
North Carolina	56.2%	58.5%	60.7%	18.2%	20.0%	21.8%	33.7%	38.4%	43.2%
Ohio	52.2%	54.2%	56.2%	12.8%	14.1%	15.5%	36.1%	40.1%	44.1%
Oklahoma	55.9%	59.2%	62.5%	16.3%	18.9%	21.5%	33.3%	40.3%	47.2%
Oregon	47.7%	51.6%	55.6%	5.3%	7.3%	9.3%	37.0%	44.3%	51.6%
Pennsylvania	56.3%	58.1%	59.9%	12.3%	13.5%	14.7%	41.0%	44.6%	48.1%
Rhode Island	56.8%	60.1%	63.5%	13.7%	16.3%	18.8%	37.0%	43.9%	50.7%
South Carolina	55.1%	58.8%	62.5%	19.1%	22.2%	25.4%	28.6%	36.6%	44.5%
Tennessee	57.0%	60.6%	64.2%	22.4%	25.6%	28.8%	27.1%	35.0%	42.9%
Texas	52.9%	55.0%	57.0%	17.7%	19.3%	21.0%	31.3%	35.6%	39.9%
Utah	39.7%	43.6%	47.5%	5.6%	7.7%	9.8%	28.6%	35.9%	43.1%
Virginia	46.3%	49.7%	53.2%	15.0%	17.6%	20.3%	24.9%	32.1%	39.2%
Washington	41.5%	45.4%	49.4%	9.0%	11.4%	13.9%	26.4%	34.0%	41.6%
West Virginia	61.8%	64.6%	67.4%	17.0%	19.4%	21.7%	39.3%	45.3%	51.3%
Wisconsin	48.2%	51.8%	55.5%	9.6%	12.0%	14.3%	32.7%	39.9%	47.0%

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, Montana, North Dakota, South Dakota, Vermont, and Wyoming.

Table A-6
Impact of Social Security on the Number of Poor Elderly Women
(In Thousands)

	Number of Elderly Women Who are Poor Before Social Security			Number of Elderly Women Who are Poor After Social Security		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Alabama	37	216	394	(30)	75	181
Arizona	(2)	138	277	(35)	35	105
Arkansas	22	127	231	(16)	48	111
California	524	927	1,331	63	292	521
Colorado	(23)	80	183	(31)	21	73
Connecticut	(13)	124	261	(36)	23	82
Florida	415	720	1,026	36	196	356
Georgia	13	243	473	(49)	91	232
Hawaii	(9)	29	67	(12)	10	31
Idaho	1	40	79	(9)	9	27
Illinois	191	432	672	(13)	108	228
Indiana	18	244	470	(52)	49	150
Iowa	10	120	230	(26)	28	81
Kansas	4	101	197	(23)	24	71
Kentucky	9	153	298	(32)	50	131
Louisiana	2	153	304	(36)	56	149
Maine	0	52	105	(13)	13	39
Maryland	(19)	161	340	(49)	48	146
Massachusetts	83	231	379	(15)	60	136
Michigan	158	367	576	(15)	88	191
Minnesota	(8)	149	306	(42)	39	120
Mississippi	13	114	215	(17)	47	112
Missouri	12	225	437	(47)	62	171
Nebraska	4	67	129	(14)	17	48
Nevada	(3)	53	108	(14)	13	40
New Hampshire	(7)	39	85	(13)	9	31
New Jersey	119	292	466	(16)	69	154
New Mexico	(1)	55	110	(14)	21	56
New York	476	777	1,078	88	265	441
North Carolina	123	301	478	1	103	205
Ohio	209	453	698	(6)	118	243
Oklahoma	17	143	268	(25)	45	116
Oregon	(10)	104	219	(28)	15	58
Pennsylvania	317	594	871	3	139	274
Rhode Island	7	58	108	(11)	16	42
South Carolina	5	139	273	(31)	52	136
Tennessee	10	203	397	(39)	86	210
Texas	256	564	873	14	199	383
Utah	(9)	43	95	(14)	7	28
Virginia	3	208	413	(49)	74	196
Washington	(22)	151	324	(47)	39	124
West Virginia	30	114	198	(12)	34	80
Wisconsin	(1)	168	337	(42)	39	120

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, Montana, North Dakota, South Dakota, Vermont, and Wyoming.

Table A-7
Impact of Social Security on Poor Elderly Women

	Number Lifted From Poverty By Social Security (In Thousands)			Percent of Poor Elderly Women Lifted From Poverty By Social Security		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Alabama	106	140	174	46.5%	64.7%	82.9%
Arizona	77	103	128	52.0%	74.3%	96.7%
Arkansas	59	79	99	44.2%	62.3%	80.4%
California	559	635	711	59.1%	68.6%	78.1%
Colorado	40	59	78	45.1%	75.0%	104.9%
Connecticut	76	101	125	56.9%	81.5%	106.1%
Florida	467	524	581	63.3%	72.7%	82.1%
Georgia	107	152	196	41.8%	62.4%	83.0%
Hawaii	12	19	27	38.1%	66.8%	95.6%
Idaho	24	31	38	56.3%	77.7%	99.2%
Illinois	280	324	368	62.6%	75.0%	87.5%
Indiana	154	195	236	59.1%	79.8%	100.5%
Iowa	72	92	113	56.5%	77.3%	98.0%
Kansas	59	77	94	54.1%	75.2%	96.4%
Kentucky	77	104	131	47.0%	67.8%	88.6%
Louisiana	68	97	126	41.1%	63.0%	84.8%
Maine	30	39	49	52.3%	74.5%	96.7%
Maryland	79	113	146	45.6%	70.3%	94.9%
Massachusetts	143	171	198	59.6%	74.0%	88.4%
Michigan	240	279	317	63.4%	76.0%	88.5%
Minnesota	81	110	139	50.0%	73.5%	96.9%
Mississippi	47	67	87	39.3%	58.9%	78.4%
Missouri	124	163	203	51.7%	72.8%	94.0%
Nebraska	39	50	62	53.7%	74.8%	95.9%
Nevada	30	40	50	52.6%	75.7%	98.8%
New Hampshire	22	30	39	51.0%	77.4%	103.8%
New Jersey	192	224	255	63.3%	76.5%	89.6%
New Mexico	23	34	44	39.5%	61.7%	84.0%
New York	455	512	570	57.3%	65.8%	74.4%
North Carolina	164	197	231	52.6%	65.8%	79.0%
Ohio	290	335	380	62.1%	74.0%	85.9%
Oklahoma	74	97	121	48.9%	68.3%	87.6%
Oregon	69	89	110	61.3%	86.0%	110.8%
Pennsylvania	405	456	506	66.4%	76.7%	87.1%
Rhode Island	32	42	51	53.1%	72.9%	92.6%
South Carolina	61	87	113	40.9%	62.3%	83.7%
Tennessee	80	118	156	37.4%	58.2%	79.0%
Texas	307	366	425	52.8%	64.8%	76.9%
Utah	26	36	45	55.4%	82.9%	110.4%
Virginia	95	134	173	43.1%	64.6%	86.2%
Washington	81	112	144	48.8%	74.9%	101.0%
West Virginia	64	80	96	54.0%	70.2%	86.3%
Wisconsin	98	129	160	54.1%	76.9%	99.8%

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, Montana, North Dakota, South Dakota, Vermont, and Wyoming.

Table A-8
Effect of Safety Net Programs on Poverty
All Persons, by Age, 1997

	Children	Non-Elderly Adults	Elderly	All ages
Number in poverty (thousands)				
Before government programs	16,294	24,342	15,748	56,390
After social insurance programs	15,866	23,184	15,279	54,329
After Social Security	14,890	19,519	3,831	38,240
After cash assistance to poor	14,113	18,084	3,376	35,574
After food and housing benefits	12,511	16,470	2,872	31,853
After federal taxes	11,080	15,888	2,876	29,844
Poverty rate				
Before government programs	22.9%	14.7%	49.1%	21.1%
After social insurance programs	22.3%	14.0%	47.6%	20.4%
After Social Security	21.0%	11.8%	11.9%	14.3%
After cash assistance to poor	19.9%	10.9%	10.5%	13.3%
After food and housing benefits	17.6%	10.0%	9.0%	11.9%
After federal taxes	15.6%	9.6%	9.0%	11.2%
Number lifted out of poverty (thousands)				
By social insurance programs	428	1,158	469	2,061
By Social Security	976	3,665	11,448	16,089
By cash assistance to poor	777	1,435	455	2,666
By food and housing benefits	1,602	1,614	504	3,721
By federal taxes	1,431	582	(4)	2,009
Total all government programs	5,214	8,454	12,878	26,546
Percent lifted out of poverty				
By social insurance programs	2.6%	4.8%	3.0%	3.7%
By Social Security	6.0%	15.1%	72.7%	28.5%
By cash assistance to poor	4.8%	5.9%	2.9%	4.7%
By food and housing benefits	9.8%	6.6%	3.2%	6.6%
By federal taxes	8.8%	2.4%	0.0%	3.6%
Total all government programs	32.0%	34.7%	81.7%	47.1%
Of those lifted out of poverty by gov programs				
% lifted out by social insurance	8.2%	13.7%	3.6%	7.8%
% lifted out by Social Security	18.7%	43.4%	88.9%	60.6%
% lifted out by cash assistance to poor	14.9%	17.0%	3.5%	10.0%
% lifted out by food and housing benefits	30.7%	19.1%	3.9%	14.0%
% lifted out by federal taxes	27.4%	6.9%	0.0%	7.6%
Percentage point reduction in poverty rate				
Due to social insurance	0.6%	0.7%	1.5%	0.7%
Due to Social Security	1.3%	2.2%	35.7%	6.1%
Due to cash assistance to poor	1.1%	0.9%	1.4%	1.0%
Due to food and housing benefits	2.3%	1.0%	1.6%	1.4%
Due to federal taxes	2.0%	0.4%	0.0%	0.8%
Total all government programs	7.3%	5.1%	40.1%	9.9%

Table A-9
Effect of Social Security on Poverty
Elderly Persons
Selected Years, 1979-97.

	1979	1983	1989	1993	1994	1995	1996	1997	Change in Number 1989-97	Change in Number 1996-97
Total population (thousands)	24,194	26,313	29,094	30,779	31,267	31,658	31,877	32,082	2,988	205
Number in poverty (thousands):										
Before government programs	13,120	13,253	13,853	15,640	16,256	15,810	15,977	15,748	1,895	(229)
After social insurance programs	4,202	4,095	3,934	4,270	4,114	3,722	3,905	3,831	(103)	(74)
After all government programs	3,276	3,177	2,841	3,159	3,062	2,838	2,943	2,876	35	(67)
Poverty Rate (in percent):										
Before government programs	54.2%	50.4%	47.6%	50.8%	52.0%	49.9%	50.1%	49.1%	0.0	(0.0)
After social insurance programs	17.4%	15.6%	13.5%	13.9%	13.2%	11.8%	12.3%	11.9%	(0.0)	(0.0)
After all government programs	13.5%	12.1%	9.8%	10.3%	9.8%	9.0%	9.2%	9.0%	(0.0)	(0.0)
Number lifted out of poverty										
By social insurance programs	8,918	9,158	9,919	11,370	12,142	12,088	12,072	11,917	1,998	(155)
By all government programs	9,844	10,076	11,012	12,481	13,194	12,972	13,034	12,878	1,860	(162)
Percent of individuals removed from poverty:										
By social insurance programs	68.0%	69.1%	71.6%	72.7%	74.7%	76.5%	75.6%	75.7%	0.0	0.0
By all government programs	75.0%	76.0%	79.5%	79.8%	81.2%	82.0%	81.6%	81.7%	0.0	0.0
Proportion of poverty reduction due to:										
Social insurance	90.6%	90.9%	90.1%	91.1%	92.0%	93.2%	92.6%	92.5%		
Percentage point reduction in poverty rate										
Due to social insurance	36.9%	34.8%	34.1%	36.9%	38.8%	38.2%	37.9%	37.1%	0.0	(0.0)
Due to all government programs	40.7%	38.3%	37.8%	40.6%	42.2%	41.0%	40.9%	40.1%	0.0	(0.0)

Source: Poverty counts are based on calculations by the Census Bureau.

Table A-10
Effect of Social Security on Poverty
Elderly Persons, by Race, 1997

	White Non-Hispanic	Black Non-Hispanic	Hispanic	All Elderly
Number in poverty (thousands)				
Before government programs	12903	1626	912	15,748
After social insurance programs	12502	1583	888	15,279
After Social Security	2448	771	455	3,831
After all government programs	1902	586	303	2,876
Poverty rate				
Before government programs	47.8%	61.5%	56.4%	49.1%
After social insurance programs	46.3%	59.9%	54.9%	47.6%
After Social Security	9.1%	29.1%	28.1%	11.9%
After all government programs	7.0%	22.2%	18.7%	9.0%
Number lifted out of poverty (thousands)				
By social insurance programs	401	43	24	469
By Social Security	10054	812	433	11,448
By all government programs	11007	1040	609	12,872
Percent lifted out of poverty				
By social insurance programs	3.1%	2.6%	2.6%	3.0%
By Social Security	77.9%	49.9%	47.5%	72.7%
By all government programs	85.3%	64.0%	66.8%	81.7%
Of those lifted out of poverty by gov programs				
% lifted out by social insurance	3.6%	4.1%	3.9%	3.6%
% lifted out by Social Security	91.3%	78.1%	71.1%	88.9%
Percentage point reduction in poverty rate				
Due to social insurance	1.5%	1.6%	1.5%	1.5%
Due to Social Security	37.2%	30.8%	26.8%	35.7%
Due to all government programs	40.8%	39.3%	37.7%	40.1%

Note: Columns will not add to total because table does not include other races.

Table A-11
Effect of Social Security on Poverty
Elderly Persons, by Sex, 1997

	Women	Men	All Elderly
Total population (thousands)	18,558	13,524	32,082
% of total	57.8%	42.2%	100.0%
Number in poverty (thousands)			
Before government programs	10,009	5,739	15,748
After social insurance programs	9,765	5,514	15,279
After Social Security	2,726	1,105	3,831
After all government programs	2,021	855	2,876
Poverty rate			
Before government programs	53.9%	42.4%	49.1%
After social insurance programs	52.6%	40.8%	47.6%
After Social Security	14.7%	8.2%	11.9%
After all government programs	10.9%	6.3%	9.0%
Number lifted out of poverty (thousands)			
By social insurance programs	244	225	469
By Social Security	7,039	4,409	11,448
By all government programs	7,988	4,884	12,872
Percent lifted out of poverty			
By social insurance programs	2.4%	3.9%	3.0%
By Social Security	70.3%	76.8%	72.7%
By all government programs	79.8%	85.1%	81.7%
Of those lifted out of poverty by gov programs			
% lifted out by social insurance	3.1%	4.6%	3.6%
% lifted out by Social Security	88.1%	90.3%	88.9%
Percentage point reduction in poverty rate			
Due to social insurance	1.3%	1.7%	1.5%
Due to Social Security	37.9%	32.6%	35.7%
Due to all government programs	43.0%	36.1%	40.1%

Table A-12
Effect of Social Security on Poverty
Elderly Women, by Marital Status
Average 1995-1997

	Married	Widows	Other	All
Total population (thousands)	7,452	8,515	2,510	18,477
% of total	40.3%	46.1%	13.6%	100.0%
Number in poverty (thousands)				
Before government programs	3,253	5,413	1,443	10,109
After social insurance programs	3,144	5,289	1,424	9,857
After Social Security	359	1,727	677	2,763
After all government programs	282	1,335	466	2,084
Poverty rate				
Before government programs	43.7%	63.6%	57.5%	54.7%
After social insurance programs	42.2%	62.1%	56.7%	53.3%
After Social Security	4.8%	20.3%	27.0%	15.0%
After all government programs	3.8%	15.7%	18.6%	11.3%
Number lifted out of poverty (thousands)				
By social insurance programs	109	124	19	252
By Social Security	2,785	3,562	747	7,094
By all government programs	2,971	4,078	977	8,026
Percent lifted out of poverty				
By social insurance programs	3.4%	2.3%	1.3%	2.5%
By Social Security	85.6%	65.8%	51.8%	70.2%
By all government programs	91.3%	75.3%	67.7%	79.4%
Of those lifted out of poverty by gov programs				
% lifted out by social insurance	3.7%	3.0%	1.9%	3.1%
% lifted out by Social Security	93.7%	87.4%	76.5%	88.4%
Percentage point reduction in poverty rate				
Due to social insurance	1.5%	1.5%	0.7%	1.4%
Due to Social Security	37.4%	41.8%	29.8%	38.4%
Due to all government programs	39.9%	47.9%	38.9%	43.4%

Table A-13
Effect of Social Security on Poverty
Elderly Women, by Age
Average 1995-1997

	Age 65-75	Age 75-85	Age 85+
Total population (thousands)	9,956	6,598	1,923
Number in poverty (thousands)			
Before government programs	4,717	4,114	1,279
After social insurance programs	4,580	4,023	1,255
After Social Security	1,269	1,098	396
After all government programs	934	847	303
Poverty rate			
Before government programs	47.4%	62.4%	66.5%
After social insurance programs	46.0%	61.0%	65.3%
After Social Security	12.7%	16.6%	20.6%
After all government programs	9.4%	12.8%	15.8%
Number lifted out of poverty (thousands)			
By social insurance programs	137	91	24
By Social Security	3,311	2,925	859
By all government programs	3,783	3,267	976
Percent lifted out of poverty			
By social insurance programs	2.9%	2.2%	1.9%
By Social Security	70.2%	71.1%	67.2%
By all government programs	80.2%	79.4%	76.3%
Of those lifted out of poverty by gov programs			
% lifted out by social insurance	3.6%	2.8%	2.5%
% lifted out by Social Security	87.5%	89.5%	88.0%
Percentage point reduction in poverty rate			
Due to social insurance	1.4%	1.4%	1.2%
Due to Social Security	33.3%	44.4%	44.7%
Due to all government programs	38.0%	49.6%	50.7%

Table A-14
Effect of Social Security on Poverty
Elderly Women, by Marital Status and Age
Average 1995-1997

	Married women		Widows	
	Age 65-75	Age 75+	Age 65-75	Age 75+
Total population (thousands)	5,183	2,269	3,250	5,265
Percent of population in age category	52.1%	26.6%	32.6%	61.8%
Number in poverty (thousands)				
Before government programs	2,042	1,211	1,856	3,557
After social insurance programs	1,967	1,177	1,806	3,483
After Social Security	245	114	623	1,104
After all government programs	191	91	474	861
Poverty rate				
Before government programs	39.4%	53.4%	57.1%	67.6%
After social insurance programs	38.0%	51.9%	55.5%	66.2%
After Social Security	4.7%	5.0%	19.2%	20.9%
After all government programs	3.7%	4.0%	14.6%	16.4%
Number lifted out of poverty (thousands)				
By social insurance programs	75	34	50	74
By Social Security	1,722	1,063	1,183	2,379
By all government programs	1,851	1,120	1,382	2,696
Percent lifted out of poverty				
By social insurance programs	3.7%	2.8%	2.7%	2.1%
By Social Security	84.3%	87.8%	63.7%	66.9%
By all government programs	90.6%	92.5%	74.5%	75.8%
Of those lifted out of poverty by gov programs				
% lifted out by social insurance	4.1%	3.0%	3.6%	2.7%
% lifted out by Social Security	93.0%	94.9%	85.6%	88.2%
Percentage point reduction in poverty rate				
Due to social insurance	1.4%	1.5%	1.6%	1.4%
Due to Social Security	33.3%	46.9%	36.3%	45.3%
Due to all government programs	35.7%	49.4%	42.5%	51.2%

Table A-15
Effect of Safety Net Programs on Poverty Gap
All Persons, by Age, 1997

	Children	Non-Elderly Adults	Elderly	All ages
Aggregate poverty gap (billions)				
Before government programs	$41.9	$90.4	$73.4	$205.8
After social insurance programs	$35.4	$64.0	$9.8	$109.1
After cash assistance to poor	$27.8	$51.4	$7.0	$86.1
After food and housing benefits	$19.4	$43.6	$6.1	$69.1
After federal taxes	$17.1	$42.9	$6.1	$66.1
Reduction in poverty gap (billions)				
By social insurance programs	$6.5	$26.4	$63.6	$96.7
By cash assistance to poor	$7.6	$12.6	$2.8	$23.0
By food and housing benefits	$8.4	$7.8	$0.9	$17.0
By federal taxes	$2.3	$0.7	$0.0	$3.0
Total all government programs	$24.8	$47.5	$67.3	$139.7
Percent of poverty gap closed				
By social insurance programs	15.5%	29.2%	86.6%	47.0%
By cash assistance to poor	18.1%	13.9%	3.8%	11.2%
By food and housing benefits	20.0%	8.6%	1.2%	8.3%
By federal taxes	5.5%	0.8%	0.0%	1.5%
Total all government programs	59.2%	52.5%	91.7%	67.9%
Of all poverty gap closed				
% closed by social insurance	26.2%	55.6%	94.5%	69.2%
% closed by cash assistance to poor	30.6%	26.5%	4.2%	16.5%
% closed by food and housing benefits	33.9%	16.4%	1.3%	12.2%
% closed by federal taxes	9.3%	1.5%	0.0%	2.1%

Table A-16
Effect of Social Security on Poverty Gap
Elderly Persons, by Race, 1997

	White Non-Hispanic	Black Non-Hispanic	Hispanic
Aggregate poverty gap (billions)			
Before government programs	$58.89	$8.58	$4.41
After social insurance programs	$56.29	$8.32	$4.25
After Social Security	$5.99	$1.96	$1.24
After all government programs	$4.13	$1.13	$0.55
Reduction in poverty gap (billions)			
By social insurance programs	$2.60	$0.26	$0.16
By Social Security	$50.29	$6.36	$3.01
By all government programs	$54.76	$7.45	$3.86
Percent of poverty gap closed			
By social insurance programs	4.4%	3.1%	3.6%
By Social Security	85.4%	74.1%	68.3%
By all government programs	93.0%	86.8%	87.4%
Of all poverty gap closed			
% closed by social insurance	4.8%	3.5%	4.2%
% closed by Social Security	91.8%	85.3%	78.1%

Table A-17
Effect of Social Security on Poverty Gap
Elderly Persons, by Sex, 1997

	Women	Men	All elderly
Aggregate poverty gap (billions)			
Before government programs	$49.64	$23.58	$73.22
After social insurance programs	$47.99	$22.19	$70.18
After Social Security	$6.96	$2.83	$9.79
After all government programs	$4.24	$1.79	$6.03
Reduction in poverty gap (billions)			
By social insurance programs	$1.65	$1.39	$3.04
By Social Security	$41.02	$19.36	$60.39
By all government programs	$45.40	$21.79	$67.19
Percent of poverty gap closed			
By social insurance programs	3.3%	5.9%	4.2%
By Social Security	82.6%	82.1%	82.5%
By all government programs	91.5%	92.4%	91.8%
Of all poverty gap closed			
% closed by social insurance	3.6%	6.4%	4.5%
% closed by Social Security	90.4%	88.9%	89.9%

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release October 27, 1998

REMARKS AT ROUNDTABLE DISCUSSION
ON WOMEN AND RETIREMENT SECURITY

The East Room

2:30 P.M. EST

THE VICE PRESIDENT: Ladies and gentlemen, on behalf of the President I want to welcome all of you. Please be seated.

I want to acknowledge members of the President's Cabinet and team here: the Secretary of Labor, Alexis Herman; the Deputy Secretary of Labor, Kitty Higgins; the Director of Office of Personnel Management, Janice Lachance; the Chair of the Council of Economic Advisors, Janet Yellen; the Director of the National Economic Council, Gene Sperling; and the Deputy Director, Sally Katzen; also the Deputy Social Security Commissioner, Jane Ross; and the Deputy OMB Director, Sylvia Mathews. And we're pleased to be joined by Congressman Ben Cardin and also Betty Freidan and other distinguished guests who are present with us today. We're very grateful to all of you for being here.

And in particular we are focusing today on what to do to strengthen Social Security for the 21st century and to strengthen it especially for the millions of American women who depend on it and who depend on it more than men.

We would like to say a special word of thanks to those who are joining us from around the country by way of satellite here today. I guess that's the satellite hook-up there. We welcome people from Boston, New York, Philadelphia, Atlanta, Chicago, Dallas, Kansas City, Denver, Seattle, Birmingham, and Richmond, California. We're honored that you're here. And, incidentally, we had first hoped to hold this important roundtable last week. And as you may have noticed and you may remember, President Clinton had a sleepless night for about 40 hours there with Prime Minister Netanyahu and Chairman Yasser Arafat and their delegations. They were putting the finishing touches on that agreement that takes such an important new step towards peace in the Middle East. And because of that this was rescheduled.

Mr. President, I have a feeling that not only is everybody here understanding of that, but, again, congratulations and thank you for that important agreement. (Applause.)

THE PRESIDENT: Thank you.

THE VICE PRESIDENT: So we're picking up today where we left off back a week ago. And it reminds me of how many important things have taken place right here in this room. Nearly a month ago I was proud to stand here in this room with President Clinton for the announcement that America had posted its first budget surplus since Neil Armstrong walked on the moon. And at that point, and actually, long before that surplus materialized, it seemed like everybody had a different idea about what should be done with the budget surplus.

But President Clinton ended that debate with four memorable words in his State of the Union address at the beginning of this year -- save Social Security first. That expression has

MORE

forestalled the spending or wasting or use in any way of that budget surplus until we can save Social Security first. It would have been easy to join in with those who had risky budget-busting tax schemes or some other idea for using that money. But for the generation of Americans who saved Private Ryan, President Clinton committed us to saving Social Security first. And that's what we're going to do with the budget surplus.

That leadership couldn't have come at a better time, because over the next decade projections show more than $1.5 trillion in surpluses for Social Security. But consider this: 75 million baby boomers are going to be retiring over the next 15 to 20 years. Today there are more than 3 people working for each Social Security beneficiary, and by the year 2030 there will be only 2 people working for each Social Security beneficiary. That's just the fundamental fact of life that we have to adjust to. And it constitutes a serious challenge. By reserving the surplus until we fix Social Security, we can meet that challenge in a way that preserves the dignity of our seniors in retirement.

We all know that it's a lifeline for millions of Americans and especially women. And older women, on average, get more than half of their income from Social Security. For 25 percent of elderly women, a Social Security check is the only income they receive.

And of course, this is not just a story of numbers and statistics, it is also one of faces and families. And I want to acknowledge and introduce to you the people who will be joining us on this panel today: Bernice Myer, from Seattle. Bernice works with older Americans and disable seniors, helping them with personal care, shopping and cleaning. She expects to receive a small pension from a previous job when she retires in 15 years, but her current job doesn't have a pension plan. She's depending on Social Security to be a major part of her retirement.

We're also joined by Molly Lozoff from Miami Beach. Molly is a retired real estate broker and a 77-year-old widow who receives a Social Security check each month. When she was 35, her husband had an incapacitating stroke which left him unable to speak for the rest of his life. She became his legal guardian and in the process of getting her own life together, she discovered that there were programs that provide assistance for the minor children of disable parents -- government programs. She believes that the assistance that she received back then enabled her children to become the successful adults that they are today.

Also with us today is Wilma Haga from my home state of Tennessee. She's from Bristol, the birthplace of country music -- where the Carter family made their first recording, Mr. President. (Laughter.) And Wilma is a 76-year-old retired cafeteria worker with a small pension. Eight years ago her husband died, and she receives his Social Security check each month. Wilma says that she could not survive without Social Security and would do anything to help people understand how important it is to women like her. And there are lots of them.

We're also joined by Lucy Sanchez from right here in Washington, D.C. And over the course of 8 months her husband had heart surgery twice. To care for her husband, Lucy was able to use our Family and Medical Leave law. Today Mrs. Sanchez says, "If I had to go to work I would have been useless. Family and Medical Leave allowed me to do what I had to do because, no matter what, family comes first." And you're going to see how that ties in to this event here today in just a minute.

Now, finally, we are joined by Tyra Brown, a 20-year-old psychology major at Howard University, originally from Oklahoma

City. Tyra is an honor student, a Ronald McNair scholar, and an AmeriCorps member. Her mother passed away when Tyra was only 15 years old. Thanks to Social Security, Tyra was able to receive Social Security survivors' benefits until the age of 18.

The message of these stories is clear: Strengthening Social Security is not just a fiscal responsibility, it is a profoundly moral responsibility. It is about preserving our oldest and most cherished values.

Nobody understands that better than President Bill Clinton. For decades now, few elected officials have been willing to take on this important challenge. Everybody here has heard Social Security referred to as the third rail -- people were afraid to touch it. Well, President Clinton believes that it's so important to America's future we can't afford not to take it on. And actually, if you study these numbers and statistics, you come away immediately with the conclusion the sooner the better, because the sooner we do take it on, the easier it will be to fix it in the right way.

His leadership is making an enormous difference for our seniors and for all generations. Ladies and gentlemen, it is my great pleasure and honor to present our President, Bill Clinton. (Applause.)

THE PRESIDENT: Thank you, ladies and gentlemen. Welcome to the White House. I want to thank the Vice President, the members of the administration, Congressman Cardin, all the panelists who are here, the satellite audience at the 12 other sites across our country. I'd like to say a special word of appreciation and welcome to Betty Freidan, who has written with such insight and appreciation for the challenges women face as they grow older.

We're here to talk about the special impact of the challenge to Social Security on the women of the United States. I would like to put it in, if I might, a larger context. Six years ago, when the Vice President and I came here, we brought a new vision of government against a backdrop of a $290 billion deficit and the kind of problem we're here to talk about today that we knew was looming in the future. We believed that we could give the American people a government that would live within its means, but at the same time invest in and empower our people.

It led to an array of new policies in education and the economy, the budget, the environment, in health care, in crime, welfare reform. Indeed, it led to the very effort to reinvent government, to use the Vice President's phrase, and the great effort that he made in that regard. But over the last six years we have been more active, among other things, in family matters and health matters, and a whole range of domestic areas, while giving the American people the smallest federal establishment since President Kennedy was here.

And the results, I think, have been quite good for our people, in terms of prosperity, opportunity is abundant, communities are stronger, families are more secure. This year, all year long, I have told the American people and done my best to persuade the Congress that it is terribly important to build on this prosperity and its newfound confidence to meet the remaining challenges this country faces on the edge of a new century -- particularly, and perhaps most important, the need to save Social Security and to prepare for the retirement of the baby boomers.

On December 8th and 9th we will hold the first ever White House Conference on Social Security, with a goal of paving the way toward a truly bipartisan national solution early next year. Social Security, as many of you know from your own experience, and as all our panelists will be able to discuss in one way or the other, is more than a monthly check or an ID number. It represents a sacred trust among the generations. It represents a trust not only between grandparents, parents and children, those in retirement and those that work, but also the able-bodied and those who are disabled. It is our obligation to one another and it reflects our deepest values as Americans. And it must maintain a rock-solid guarantee.

We have a great opportunity to save Social Security. As all of you know, just this month we closed the books on our first balanced budget and surplus in 29 years. It is the product of hardworking Americans who drive the most powerful economic engine our country has had in a generation; the product of hard choices by lawmakers who put our nation's long-term economic interest very often above their own short-term political interest. It is an achievement that all Americans can be proud of.

But we have to ask ourselves to what end has this been done. Of course, balancing the budget is essential for our own prosperity in this time of intense global competition. But it also gives us a chance to do something meaningful for future generations by strengthening Social Security. And doing that will help to keep our economy sound and help to keep our budget balanced, as we honor our duty to our parents and our children.

As the Vice President said, soon there will be many more older Americans. I hope that he and I will be among them. (Laughter.) Two of the 75 million baby boomers who will be retiring over the next 30 years. By the year 2013, what Social Security takes in will no longer be enough to fund what it pays out. And then we'll have to dip into the trust fund as provided by law. But by 2032, as this chart on the left makes clear, the trust fund itself will be empty and the money Social Security takes in will soon be only enough to pay 72 percent of benefits.

Now, that's the big reason I wanted to reserve the surplus until we decide what to do about Social Security. Every American must have retirement security in the sunset years. We plan for it, count on it, should be able to rely on it. That holds true for women, as well as men. But in the case of women, Social Security is especially important. On average, women live longer than men; women make up 60 percent of all elderly recipients of Social Security -- 72 recipients over the age of 85, as you can see here.

For elderly women, Social Security makes up more than half their income. And for many it is literally all that stands between them and the ravages of poverty. You can see what the poverty rate is for elderly women -- it's 13.1 percent with Social Security; without it, it would be over 50 percent. Study after study shows us that women face greater economic challenges in retirement than men do, for three reasons.

First, women live longer. A woman 65 years of age has a life expectancy of 85 years. A man 65 years of age has a life expectancy of 81 years. Second, for comparable hours of work, women still have lower lifetime earnings than men, although we're working on that. Third, women reach retirement with smaller pensions and other assets than men do.

Now, Social Security has a number of features to help women meet these challenges. And we have done a lot of work over the last six years to try to help make it easier for people to take out their own pensions and to make it more attractive for small businesses to help to provide pensions for their employees, which could have a disproportionate impact, positive impact for women in the years ahead. But the hard fact remains that too many retired women, after providing for their families, are having trouble providing for themselves.

Now, we have worked these last six years to expand pension coverage, to make the pensions more secure, to simplify the management of pension plans. We've worked for the economic empowerment of women, to end wage discrimination and strengthen enforcement of the Equal Pay Act. But we must do more until women earn $1 for every $1 men earn for the same work; and today we're only three-quarters of the way there. We must work harder to give retired women the security they deserve that they could not get for themselves in the years they were working.

Today, I am announcing two concrete steps we must take. First, I propose that workers who take time off under the Family and Medical Leave Act should be able to count that time toward retirement plan vesting and eligibility requirements. Sometimes the few months spent at home with a child mean the difference between pension benefits and no pension benefits. That is precisely the wrong message to send to people who are trying to balance work and family.

Millions and millions of people have now taken advantage of the Family Leave Act when a family member was desperately ill or a baby was born. None of them should have lost time for retirement vesting and eligibility benefits.

Second, I am proposing that families be given the choice to receive less of their pension when both spouses are living, leaving more for the surviving spouse if the breadwinner dies. That should help keep elderly widows out of poverty in their twilight years. And the poverty rate for single women, for elderly widows is much higher -- almost -- about 40 percent higher than that 13 percent figure there.

These proposals build on the work of Congressman David Price of North Carolina and Senator Barbara Boxer and Senator Carol Moseley-Braun. They will make a difference for our mothers, our wives, our sisters and some day for our daughters. But let me emphasize again the most important thing we can do for future generations is to strengthen Social Security overall.

When I said in my State of the Union address I would reject any attempt to spend any surplus until we save Social Security, I knew the congressional majority wanted to drain brilliance from the surplus even before it appeared on the books, much less having the ink dry. And not just this year, but permanently. Now, I am not opposed to tax cuts, and my balanced budget we have tax cuts for education, for child care, for the environment, and for making it easier for people to get pensions. I'm just opposed to using the surplus to fund tax cuts until we have used all we need of it to save the Social Security system for the 21st century.

The threat of a veto put a stop to that effort in this last Congress. The next Congress will be the Congress I call upon actually to move to save Social Security for the 21st century. It should not be a partisan issue, and we should not have another partisan fight to save the surplus until we reform Social Security.

But recently, Republican leaders are still saying the surplus should go to fund tax cuts first, and the Senate Majority Leader has suggested that he may not even be willing to work with me to save Social Security. Well, I hope that's just election season rhetoric. After all, they were willing to work with the insurance lobbyists to kill the patients' bill of rights. (Laughter.) And then they worked with the tobacco companies to kill our teen smoking bill to protect our children from the dangers of tobacco. And they were happy to work with the special interest who were determined to kill campaign finance reform. I think the Senate Majority Leader will be able to find time to work with me to save Social Security. (Applause.) And I certainly hope so.

I say this partly with a smile on my face, but in dead seriousness. This issue will not have the kind of money behind it that the tobacco interests can marshal or the health insurance companies can marshal against the patients' bill of rights. And everybody here with an opinion is going to have to give up a little of it if we're going to make the right kind of decision to get there. This is the sort of decision that requires us to open our minds, open our eyes, open our ears, open our hearts, think about what America will be like 30 years from now, not just what it's like today, and imagine what it will be like when those of us who aren't retired will be retired and our children will be raising our grandchildren -- increasingly, when those of us who are retired will be looking after our great-grandchildren as the life expectancy goes up and up.

This requires imagination. And it will be hard enough under the best of circumstances. It would be foolish to take this projected structural surplus that has been built in for six hard years of effort and squander it, until we know what it will cost to have a system that all Americans, without regard to party, can be proud of.

Now, this is an issue that offers us that kind of choice between progress and partisanship; moving forward, turning back; putting people over politics. In 11 days we will elect a Congress that will determine the future of Social Security. We need one that is 100 percent committed to saving Social Security first; to putting the long-term security of the American people -- our parents and our children -- ahead of the short-term politics.

Now let me say I am eager to hear from our panelists. I think it's important to note on this day with this subject that one of America's first great advocates for Social Security was the Secretary of Labor, Frances Perkins. As Secretary Herman would tell you, Frances Perkins' name now graces the Department of Labor building, just down Pennsylvania Avenue. She was the first woman to hold that office, or any other Cabinet office. Years later, on the 25th anniversary of Social Security, Frances Perkins looked ahead and said this, "We will go forward into the future a stronger nation because of the fact that we have this basic rock of security under all our people."

That foundation, that rock, was laid by Frances Perkins and Franklin Roosevelt. It is up to all of together, women and men, to make sure that rock will hold up all our people in the 21st century. Thank you very much. (Applause.)

Molly, why don't you go first? Tell us your story and your family's experience with Social Security.

MS. LOZOFF: Thank you, Mr. President.

Mr. President, Mr. Vice President and my fellow Americans, the month was October and the year was 1955. I was a happy 33-year-old mother of four wonderful children. I was a stay-at-home mother. My husband was a successful realtor until that fateful day, when he suffered a severe stroke that left him paralyzed an unable to express himself for the remaining 14 years of his life.

After the initial shock, I realized that I had to get busy and prepare myself for a career in order to be able to provide for my children and my disabled husband. It took about a year for me to become his legal guardian, handle his finances and earn my real estate license. During that time I learned of this new Social Security program, which started in 1956 -- fortunately for me -- that offered disability insurance for minor children of a disabled provider.

It was such a relief to know that my government was going to help me survive this crisis. I believe to this day that this assistance enabled my children to confront this severe family problem and allowed them to become the fine, successful, caring human beings they are today. Without this assistance I could not have fared as well. It gave me the solid base that I needed to build my family's future.

Many years have passed, and at this time in my life I find that I am once again turning to my government for help through the Social Security program. The amount that I receive every month enables me to provide for my basic living expenses. I know quite a few of my contemporaries in Florida who could not go on without their Social Security benefits. For some it's literally life-sustaining.

I'm so proud we have a President who feels a tug on his heart for our plight, the plight of the elderly. We should strongly support his efforts to use some of the budget surplus to ensure that the Social Security system will survive and continue to help those in need, well into the next millennium.

Thank you, Mr. President, we're so proud of you. (Applause.)

THE PRESIDENT: I'd just like to say -- I think I speak for everyone in this room, I guess some bad things happen to everybody in life and a lot of us were probably feeling nonetheless that we can't imagine how we would have dealt with what you have obviously dealt with so magnificently. And if Social Security helped, then I think we can all be grateful that it did. We thank you very much.

MS. LOZOFF: There are many people in my place, I know, today.

THE VICE PRESIDENT: Mr. President, I refer to Tyra Brown's story earlier. A lot of people commonly think of Social Security as a retirement program. And they don't stop to think that out of the 44 million Americans that receive Social Security, one-third of them are either survivors or disabled Americans. And a lot of them, some 3.8 million beneficiaries, are children; and almost 2 million of them are survivors of deceased parents.

Tyra, could you tell us your story, which represents a story that millions of others -- similar to that of millions of other children.

MS. BROWN: Thank you, Mr. President, thank you, Mr. Vice President, for inviting me here today. It's good to know that you both are working hard and using your leadership to help strengthen Social Security.

My name is Tyra Brown, and I'm from Oklahoma City, Oklahoma. I'm currently a junior here at Howard University, a historically black university, in Washington, D.C. While in school I'm working with AmeriCorps as a jump-start member, and I work in a Head Start center tutoring preschool children who are struggling with literacy skills and social development. I'm working toward the day when every child will enter prepared to succeed. After I earn my Bachelor's Degree at Howard I plan to go on to graduate school and become a child psychologist.

I enjoy working with children who need a helping hand, and I believe that as an American family, we all need to do what we can to help each other out. That is why I think Social Security is so important. It was there for me and I want it to be there in the future.

Most people think of Social Security as a retirement program, and it is. But what a lot of people don't know is that the Social Security system also helps out millions of people like myself who are not retired. When I was 15, I had a terrible experience -- I lost my mother to heart failure. And she worked very hard for me all of her life to provide for me, and after she passed my grandmother became my legal guardian. And we received Social Security survivors' benefits to help us with some of the expenses.

It wasn't easy, but the Social Security really helped, and we could count on that income to be there every month. And I don't think we could have made it otherwise without it. When my mom was alive she paid into the Social Security system, and although she wasn't able to get her retirement benefits, her Social Security contributions did help provide for me when I needed support. And I'm not alone. There are millions of other survivors out there who count on Social Security every month.

Now as I'm beginning to think about my own future, I think about that guarantee. As I pay into Social Security I want to be sure that it will be there for my retirement or in case of any other tragic circumstances, guaranteed. I know that Social Security needs to be strengthened and I know that there has to be a way to do it to preserve that vital guarantee.

That's why, Mr. President, I was very glad to hear your State of the Union address. We need to save Social Security first. It touches millions of lives in America. It has touched mine, and I hope it will be strong for generations to come.

Thank you. (Applause.)

THE PRESIDENT: We have heard from a student and a retiree. Now I'd like to call on someone who is working and planning for retirement. And I'd like to mention something that I mentioned in my opening remarks, to which the Vice President also referred, and that is that 60 percent of women workers, both part- and full-time, work at jobs that do not provide a pension. And as I said, we have worked very hard on this for the last six years and we've tried to come up with all kinds of proposals that would facilitate more employers providing pensions. And we will do more on that.

But meanwhile, we are where we are. Most Americans, even on Social Security, have some other source of income. But as you see from the chart, over half the women in this country who are retired would be in poverty but for Social Security.

So I'd like for Bernice Myer to talk a little bit about the challenges that she's facing and how she's trying to deal with the prospect of retirement in the job that she's in.

Bernice.

MS. MYER: Thank you, Mr. President and Mr. Vice President. I'm Bernice Myer. I'm a home care aide in Seattle, Washington. I'm 49 years old and have been working in service professions all of my life, all low paid. I feel that my work is very valuable to the people I serve and to society as a whole. I enjoy my work and have appreciated the opportunities I've had in each position.

One of my concerns as I grow older is where will -- a little anxiety as to whether or not I will have money available for my living. I have no pension plan currently and live basically paycheck to paycheck. So I'm very dependent upon what will happen. I'm a member of the Office and Professional Employees Union and am working to increase wages for home care aides. And we see some progress, but it's slow and I doubt that the progress I would like to see will happen in my lifetime. I think this important work and I hope that eventually pay received will match the value of the work.

I want to thank the President and the Vice President for this table conference, lifting up Social Security benefits. I'm depending on them being there when I retire. (Applause.)

THE PRESIDENT: One of the questions that we'll be asked to deal with, that most younger people who are interested in this will ask us to deal with, is the question of how much flexibility individual citizens should be given, and should there be alternative investment strategies for the Social Security fund. There will be a lot of these questions asked by young people, particularly.

And I think it is important to keep in mind that there is always a balance between greater flexibility with the prospects of greater return on the trust fund and rock solid certainty. And, ironically, to people in Bernice's position, she'd actually be better off with both, because if you don't have a pension you need a higher income out of Social Security, but if you don't have a pension you have very little room for risk.

And there are -- if you think about it, our society for decades, by and large, made a bargain with our critical service workers -- the people that pick up our trash every day, or the police that patrol our streets, or the teachers that teach our children -- we say, okay, we'll get you the best pay we can, but even though you'll never get rich, at least you'll have a pension as well as Social Security.

Now there's been an explosion, in the last 10 years especially, in America, of trying to provide more direct services to people in-home. And most everybody believes that's a good thing -- it promotes more independence, a greater sense of security of the people receiving the services. But there are huge numbers of Americans, like Bernice, out there who are performing critical services and taking our country in a direction most people who have studied this believe we need to do more of.

And one day eventually they'll all be covered by some kind of an organizational system that will give them a decent retirement plan. But, meanwhile, you've got people like Bernice that are out there doing things that we should have been doing as a society long before, that are making this a better place, that don't yet either have the bargaining power, the political support or whatever necessary to have the pensions that they need -- either that or the economics of reimbursing for the service are not sufficient to support a pension. It is wrong to let people like her do all this work for us and not at least be able to rely on an adequate Social Security system in retirement.

This is not an isolated story. This is a person who represents a growing number of Americans, not a shrinking number of Americans, doing something that most experts believe is making us a better society.

I didn't want to take so much time, but I just think it's very important that you understand we picked these people -- they're very compelling, I think, all of the panelists; but they're also representative, not isolated cases. And I think it's important to think about this when we make these plans for the future. (Applause.)

THE VICE PRESIDENT: And, Mr. President, women are more likely to be in that kind of situation. And I know you've been saying this for a long time, and Ben Cardin has been saying it for a long time, and others -- but I remember not too long back when I had the privilege of going to one of the forums on Social Security, this one at Rhode Island. Carolyn Lukensmeyer (phonetic) and her colleagues were hosting these events all over the country -- I think you went to two or three of them.

And before that event, the women members of the caucus in the House and Senate all wrote a letter the me saying, we see you're going up there to Rhode Island, here's some facts we want you to keep in mind. I knew a lot of them, but I must say, they brought out some facts that really deserve a lot more attention. Of course, all of them are on the table here today. But they have to do with the fact that women do live longer and pay in less for a lot of historical and life reasons.

Anyway, Wilma Haga here is representative of some people that we have with us today who can sort of tell us about what it would be like without it. I believe I mentioned she's from Bristol, Tennessee -- (laughter.)

MS. HAGA: You did.

THE VICE PRESIDENT: Wilma is 76 and her husband died eight years ago. And Social Security has made a great big difference. In our part of the country, Wilma, and all over the country, really, it used to be that older widows were very likely to be extremely poor. Many counties used to have what they called poorhouses -- before my time, but I've surely heard about them. And without Social Security they've estimated that more than 60 percent of all older widows would be living in poverty.

Now, in your life you have not had to face those circumstances mainly because of Social Security. Tell us about that.

MS. HAGA: Okay. Mr. President, Mr. Vice President, I'm so happy to be here, and thank you for inviting me. I just feel real honored and excited to be with you all today.

I am 76 years old and my husband, Alvin, and me had two sons -- Mike and Thomas. Al and I both had a high school education, but we weren't able to go to college. But we were absolutely determined that our two boys would go to college. For 28 years I worked in the school cafeteria, and every week I'd put my paycheck in the bank to take care of those boys' education. So my husband was an electrician, but he also worked three or four other jobs so that we could save all the money that we could for them.

I'm pleased that both of my sons did get a college education. Mike, in fact, is a seminary graduate. He works for you, Mr. President. (Laughter.) He works as an appointee at the Department of Agriculture and I'm so proud of him. And Thomas, my oldest son, has a very successful business in Texas, investment business. I'm proud of both of them.

As a widow on a modest income, I am keenly aware of the importance of Social Security. When I retired, after almost 28 years, I received a pension of only $200 a month from the school system. My monthly Social Security benefit totaled all of $300. Fortunately, my husband was still alive, and so I was not completely dependent on that $500 for all my income. I don't know how I would have survived with that money alone.

My husband died in 1991, Mr. President and Mr. Vice President. When that happened, my Social Security benefit was replaced by his. I got a raise of nearly $600 a month at a time that I really needed it. Now, between my monthly Social Security check of $915 and my pension, I can live very well. In fact, I'm proud that I can live independently and productively without any assistance from either one of my sons. There are millions of widows all over America just like me -- women who didn't earn all that much. But we now have the blessing of knowing that our years of hard work paid off, both in the success of our children and in having our government guarantee that we will have a secure old age. I owe it to my sons and my grandchildren to make sure that they have this same kind of security.

Again, Mr. President and Mr. Vice President, thank you so much for inviting me here today. Most importantly, thank you for providing the leadership needed and for making the future of Social Security a top priority. (Applause.)

THE PRESIDENT: We asked Lucy Sanchez to come here to talk about the Family and Medical Leave Act and its effect on her life, because I think it's important to point out that while both men and women are equally eligible for the Family and Medical Leave Act, women are far more likely to take advantage of it -- and they should not lose a year of eligibility, in terms of retirement vesting, when they do.

Keep in mind, if men and women all had retirement systems in addition to Social Security, and they were more or less equal, then our task of dealing with handling the baby boomers in the retirement system would be much, much easier. And so anything we can do now to equalize the impact of retirement earnings among similarly situated people 20 years from now will change and make less difficult the changes we are going to have to make anyway in the Social Security system.

I think it's very important for everybody to kind of keep that in mind. So when I announced earlier today, a few moments ago, that we wanted people not to lose credit in retirement vesting when they access the Family and Medical Leave Act. I think it's important -- we have an illustration of why it's important to have this law on the books and why it is inconsistent with being pro-work or pro-family to disallow retirement vesting just because people are taking advantage of the law.

Lucy?

MS. SANCHEZ: Thank you, Mr. President and Mr. Vice President, for inviting me to be here today. My experience is very recent. My husband went to walk the dogs one morning a year ago. Halfway home he suffered a dissection of his aorta -- that's a tear. He managed to make it home and climbed our front steps and opened the door. He collapsed against the door jam and called my name. Luckily, I was home.

He has a genetic condition called Marfan's Syndrome, which affects the body's connective tissue. The most serious problems associated with Marfan's Syndrome involve the cardiovascular system, and the aorta, which is the main artery carrying blood away from the heart, is wider and more fragile than normal.

So instead of driving to work together that morning we drove to the emergency room at the Washington Hospital Center here. We had the advantage of being pretty certain we knew what had happened, and we told the ER staff, and he was in surgery within an hour.

Meanwhile, I phoned his office and explained, and I phoned my office and explained. I didn't go back to work for 90 days. He actually had two surgeries that time and was in the intensive care unit for 11 days and in the hospital for three weeks. He came home sick, weak, confused, frightened, disoriented, unsteady. He didn't know when he was hungry. He didn't know when he needed to sleep. He didn't know what pills to take. So I could be there to take care of him. He recovered sufficiently to return to work in February.

Then it happened again in May. Both times he needed around-the-clock care from me. They say trouble comes in threes so in July, my 85-year-old mother landed in the hospital with major health problems. And I was able to fly to Kentucky to be with her, to bring her home, and to make more permanent arrangements.

All of this was in the last 12 months, and who else is there to care for your family but you. Because that's why we have families, that's why we're part of families. We care for each other. And it is because of the Family and Medical Leave Act that I could care for my mother and my husband three different times this year.

I was out of work for 90 days, but I was not out of a job. I knew my job would be there without having to ask my boss for special favors. I'm sure she would have given them, but I didn't have to resort to that. I knew my seniority wouldn't be affected, and the fact that there was a plan in place to take care of life's exigencies -- and life is nothing but unexpected -- was a great relief. When your life is in turmoil it is just enormously comforting to know that that is there.

I did wonder what would happen to employee pension plans that I participate in -- would they continue, would they be affected, would they -- when I was actually lucky enough to be on annual leave and sick leave, for most of the time my paycheck continued. But should I have had to take even more time, I didn't know whether that would negate the plan or interrupt it. I just didn't know what would have happened if I hadn't been vested.

I believe that the Family Medical Leave Act is one of the finest pieces of legislation, a real contribution to the well-being of the American family and especially women, because women are the care-givers, as we all know.

We don't anticipate personal disasters. We tend to think of all of us as invincible, especially our own families. But it isn't always that way. This act is important to anyone, but especially women. I don't believe that people who take family medical leave should suffer pension loss, so I'm very happy to hear of this new plan.

Women usually put their needs after everyone else's. They tell us not to, but we do it anyway. And pension loss would put women who don't have much saved for the future at an even greater disadvantage.

I want to thank you, Mr. President and Mr. Vice President, for your leadership in the enactment of Family Medical Leave. I'm fortunate enough to work for an employer, the National Association of Social Workers, who strongly advocated for the Family and Medical Leave Act. And as we all know, professional social workers routinely help people juggle family care and work issues. And may I also just add as an amendment that Frances Perkins was a social worker. (Laughter.)

Eventually, the pieces of my life came back together. Everyone is well. And I would hope that no one would ever have to use Family and Medical Leave Act as I did, but regrettably, I know better. Thank you. (Applause.)

THE PRESIDENT: Well, thank you for sharing your story with us. We can all see how recent it has been and how difficult it has been for you, and you were very brave to come here and talk with us today. And we thank you for that very much.

We believe -- the Vice President and I and our spouses -- that the Family Leave law ought to be expanded some. (Applause.) We've tried in two Congresses to do that and haven't gotten very far. But we'll keep plugging away at it, because I think unless people have been in this situation where they're afraid they're going to lose their job, or wreck their retirement because they're just doing what's necessary to hold their families together, they can't imagine it. And the law is actually a great -- it's actually good for businesses, too, because it doesn't put any employers at a competitive disadvantage if it applies to all employers equally. It tends to minimize the cost, the burden of risk, for that. And I thank you very much for what you said.

But I think if we can take this whole family leave issue out of the whole -- just eliminate it in terms of whether your retirement vests or not, I think it would be a good thing to do. Modest cost to the retirement systems, enormous benefit to the stability of families. So I thank you very, very much for that.

Well, I think our panelists have done a great job, and I want to thank them for that. (Applause.) Again, what we attempted to do today was to show that on the present facts that women have a disproportionate interest the stability of the Social Security system and in the adequacy of the benefit because they are disproportionately likely to need it and more likely to have other assets -- or less likely to have other assets.

We also wanted to emphasize the disability and child survivor benefits, which our panelists have so eloquently done. None of this, however, is an excuse to avoid making the hard decisions we have to make because of the demographic changes that are occurring. It is just that we have to be mindful of it.

And what I'm hoping we did today was not to confuse anyone, that we've still got hard decisions to make, but to say that we ought to be especially sensitive to how these decisions affect women -- number one. And number two, we ought to be steely in our determination not to let the surplus go until we figure how much cost is involved and how we're going to balance all the difficult choices that have to be made and the risks that will have to be taken because we've got to maintain the social cohesion that Social Security has given us.

Think about what we got out of Molly being able to live her life under the circumstances and raise her children. Think about what society got out of that. Think about what society is going to get out of Tyra Brown because she was not abandoned when her mother suddenly passed away at the age of 15. And we were all sitting there watching her talk, just feeling better being Americans, weren't we, every one of us. Don't you think it was worth it to take care of her -- help her grandmother take care of her for three years? We all got something out of that, and she's got 60 years or more of giving back to society, that we're all going to benefit from that.

So I think as we -- we identified, all of us, with each one of these panelists as they talked to us about their lives. And so I'll say again, none of this lets us off the hook for making the hard decisions, but it ought to make us determined to be more sensitive to how they affect women, number one; and determined not to let the surplus go, in case we need it to fill in the patches of the decisions to make sure that we can have more stories like this 10, 20, 30, 40 years from now.

Thank you very much. (Applause.)

END 3:27 P.M. EST