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Social Security, the Nation’s Most Effective Safety Net Program, Keeps More than 800,000 Elderly New Yorkers out of Poverty

As the nation debates the future of Social Security, the phenomenal impact of Social Security on the economic well-being of the elderly should be at the forefront of all discussions. A new analysis of Census Bureau data measures the impact of Social Security on the elderly population in New York. Pooling the three most recent years of data from the Census Bureau’s Current Population Survey, this report estimates poverty rates with and without Social Security benefits for the elderly in New York.

Social Security Dramatically Reduces Elderly Poverty in New York

Without Social Security, over one million elderly New Yorkers would have incomes below the official poverty line. With Social Security benefits added to income, the number of elderly poor is reduced by 818,500 to just over 373,000. When other governmental cash programs (e.g., Supplemental Security Income, unemployment compensation, worker’s compensation) are taken into account, the number of poor elderly New Yorkers falls even further to about 304,000.
New York’s Elderly Poverty Rate is Cut Significantly by Social Security

Almost one half of New York’s elderly population would be poor if it were not for Social Security and other government programs. When Social Security benefits are taken into consideration, New York’s elderly poverty rate (for the 2001-2003 period) falls to 15.4%. When other government cash assistance programs are considered, the elderly poverty rate is reduced further to 12.6% which is the poverty rate reported in official Census Bureau publications.

While Social Security benefits are not sufficient to bring the incomes of all elderly persons above the poverty line, Social Security is still extremely important for the elderly whose incomes remain below that level. If it were not for Social Security, the poorest of the elderly would fall even further below the poverty line. In fact, Social Security makes up a very substantial proportion of the income of the low income elderly. Nationwide, Social Security constitutes 80% of the income of the elderly in both the lowest and the next lowest quintiles.

Social Security is the Most Important Safety Net Program for Elderly New Yorkers

Various federal, state and local programs supplement the incomes of New York’s elderly population. Although the other government programs are significant, Social Security is clearly the most important anti-poverty program for the elderly. More than 92% of the elderly lifted from poverty by government cash assistance programs in New York, are kept from poverty by Social Security benefits. SSI benefits keep another 5% of elderly New Yorkers out of poverty.
Importance for Elderly Women

The majority of elderly people lifted from poverty by Social Security are women. More than half a million elderly New York women are pulled out of poverty by Social Security benefits. The poverty rate of elderly women in New York falls from 54.5% to 17.8% when Social Security benefits are counted. Two-thirds of elderly women who otherwise would be poor — 67% — are removed from poverty by Social Security. Another 44,000 elderly women’s incomes are increased above the poverty level by other government cash assistance programs, reducing the official poverty rate for elderly women in New York to 14.8%.

Elderly Poverty Rates Have Fallen While Child Poverty Rates Have Risen

The power of Social Security in lifting the elderly out of poverty is underscored by comparing the long term trends in the elderly and child poverty rates. Prior to the enactment of Social Security, poverty was widespread among the nation’s elderly. Even 30 years ago, the elderly were more likely to live in poverty than the population as a whole. In 1966, 28.5% of the elderly in the United States had incomes below the poverty line, compared with 14.7% of the general population and 17.6% of children. By 2003 the national poverty rate for the elderly had fallen to 10.5% while the child poverty rate was 17.6%.
Methodological Note

For the purposes of this report, estimates of the impact of Social Security on elderly poverty were calculated for New York using U.S. Census Bureau data from the Current Population Surveys for 2002, 2003 and 2004. Three years of data were used to increase sample sizes and therefore the accuracy of the estimates.

To determine whether an individual or family is poor, that person’s or family’s income is compared to the official poverty line for a household of that type and size as published annually by the Census Bureau. In 2003 the official poverty line for an elderly individual was $8,825 per year while the poverty line for a two-person family with an elderly householder was $11,133. The poverty lines for elderly individuals and two-person families with elderly householders are slightly lower than the poverty lines for non-elderly individuals and two-person families with non-elderly householders.

The official poverty rates for households of different types and sizes, as determined and published by the Census Bureau, are 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. The analysis presented in this report compares three measures of income to calculate the following three poverty measures:

• “Poverty Before Any Governmental Benefits” is estimated by comparing the official poverty thresholds to a measure of income which excludes all governmental cash benefits. This measure of income excludes income received from social security supplemental security income (SSI), unemployment insurance, worker’s compensation, some types of veterans payments and cash public assistance.

• “Poverty After Social Security” is estimated by comparing the official poverty thresholds to a measure of income which adds Social Security benefits and Survivor’s benefits to the measure of income which excludes governmental cash benefits.

• “Poverty After All Cash Assistance Programs” is estimated by comparing the poverty thresholds to a measure of income that includes not only Social Security but also all other government cash benefits. This is the same as the income measure used by the Census Bureau to calculate the official poverty rate.

Unlike the similar FPI report issued in 2000 (which averaged data for 1992, 1994, 1995, 1996 and 1997), this report does not take into account the value of noncash benefits (such as food stamps and housing assistance). The U.S. Census Bureau has not yet released data from the March 2004 Current Population Survey on the value of noncash benefits making it impossible to precisely replicate the earlier analysis at this time.