



THE SAFETY NET FOR THE ELDERLY

A Russell Sage Foundation Policy Brief

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Introduction

The War on Poverty has been a success for the elderly by almost any measure. In 1959, five years before Lyndon Johnson launched his ambitious antipoverty initiative, the poverty rate among those aged sixty-five or older stood at 35 percent. By 2010, the rate had fallen to 9 percent.

In her chapter in *Legacies of the War on Poverty*, Kathleen McGarry reviews the evolution of the social safety net for the elderly and documents how new initiatives and numerous expansions of the Social Security program contributed to the stunning reduction in poverty among the elderly.

Social Security after 1964

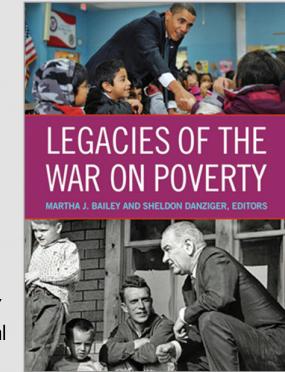
Social Security proved to be the single most important tool in combating poverty among the elderly. Social Security is a New Deal program, but the War on Poverty expanded it substantially. In 1964, approximately 75 percent of the elderly were receiving Social Security benefits and the average monthly benefit for retired workers was \$545 (2010 dollars). The 1965 amendments to the Social Security Act provided an across-the-board benefit increase of 7 percent and subsequent legislation resulted in even larger gains. Additional increases in benefits enacted by Congress led to a total increase in benefits from 1964 to 1972 of nearly 100 percent. As a result, elderly incomes doubled in real terms from 1967 to 2010, compared to an increase of just 21 percent for the median household. Income for elderly married couples increased from \$22,021 to \$44,718 while that for unmarried elderly individuals increased from \$8,526 to \$17,261 (in 2010 dollars).

LEGACIES OF THE WAR ON POVERTY

A new book from the Russell Sage Foundation
Edited by Martha Bailey & Sheldon Danziger

Many believe that the War on Poverty, launched by President Johnson in 1964, ended in failure. Historical and contemporary accounts often portray the War on Poverty as a costly experiment that left doubts about the ability of public policies to address complex social problems. Featuring a multidisciplinary team of renowned scholars, *Legacies of the War on Poverty* challenges and contests this conventional wisdom as too simplistic. The volume examines the empirical evidence accumulated over the past 50 years and offers a balanced and broad assessment of the long-term impacts of the War on Poverty.

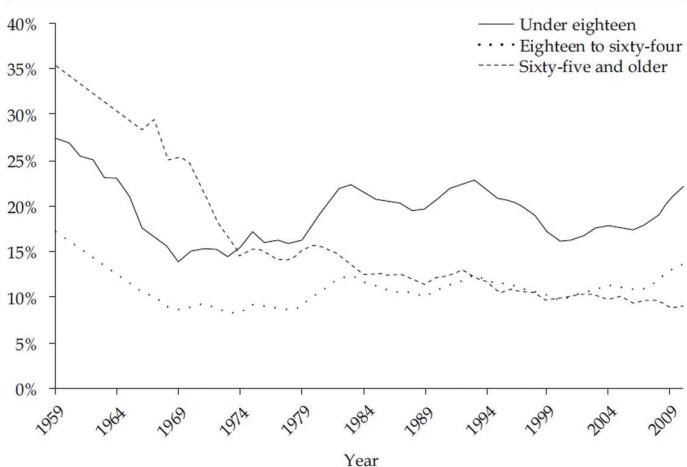
(Available September 2013; visit russellsage.org/publications for more information)



Social Security and Well-Being

The correlation between well-being and these large increases in Social Security benefits is readily apparent in the reduction in elderly poverty, as is Social Security's continued role in maintaining these gains in the more recent period.

FIGURE 7.2 / Poverty Rates by Age



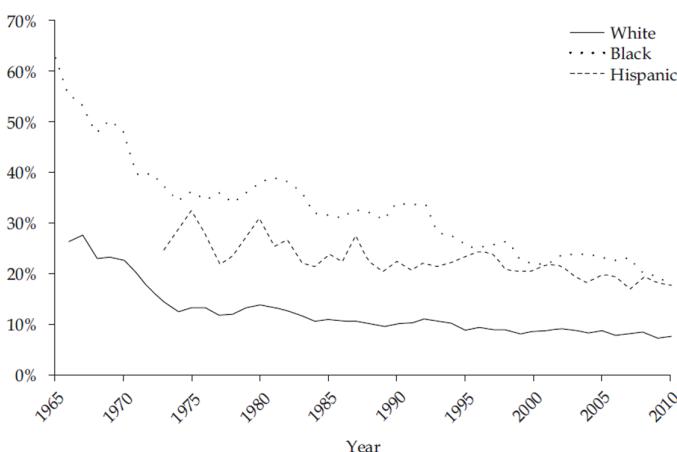
Source: U.S. Census Bureau (2011b).

- As figure 7.2 illustrates, poverty rates for all age groups declined at a rapid rate throughout the 1960s as the economy grew and the War on Poverty gained steam. What is notable, however, is that poverty rates for the elderly declined far more sharply than those for other groups, and, importantly, that they continued to fall until the present day while those for other groups remained constant or subsequently rose.
- The War on Poverty's expansion of Social Security played a key role in the decline in elderly poverty as it comprised nearly 40 percent of income for the elderly over much of this period. Indeed, some economists have concluded that the increases in Social Security benefits explain nearly all of the decline in poverty among the elderly.
- The expansion of Social Security played an important role in the well-being of the low-income elderly. In 2008, Social Security accounted for 84 percent of income for those in the bottom 25 percent of the income distribution, but just 20 percent of income for those in the top quartile. The importance of Social Security among lower-income individuals provides further evidence of the central role the program played in reducing poverty.

Social Security and Well-Being (cont'd)

- Declines in poverty for all of the elderly are dramatic, and are evident across racial and ethnic groups as is illustrated in figure 7.5. Absolute racial disparities in elderly poverty are much smaller today than in the early 1960s. Yet disparities by race in poverty persist, with whites having a distinct advantage. Moreover, racial disparities among the elderly have changed little in relative terms; the poverty rate for blacks has remained at more than twice that of whites throughout the period.

FIGURE 7.5 / Poverty Rates, Age Sixty-Five and Older



Source: U.S. Census Bureau (2011b).

- In addition to Social Security, the Federal means-tested program of Supplemental Security Income, which began paying benefits in 1974, further improved the well-being of the elderly. Although SSI benefits are typically below the poverty line and thus do little to affect poverty rates themselves, by providing a guaranteed minimum income for the elderly, SSI has done much to reduce the poverty gap and to improve the lives of the poorest among the old.

Conclusions and Recommendations

The War on Poverty unquestionably improved conditions for elderly populations in the U.S. Since the 1960s, poverty rates for older Americans have fallen dramatically, with the fraction in poverty in 2010 equal to nearly one-quarter of that in 1959.

- Much of the success in reducing the poverty rate for the elderly can be attributed to the Social Security program, which provides near universal coverage not only for workers but also for their spouses and dependents.
- For those ineligible for Social Security, or those with low Social Security benefits, the SSI program provides a guaranteed minimum income.
- A variety of other social service programs implemented during the War on Poverty—including grants made to support state and local efforts to aid the elderly, disbursed through Johnson's Older Americans Act—continue to offer assistance to the elderly poor.

However, despite the value of these programs, the current economic environment presents substantial risks for the elderly. Following the economic downturn of 2008, pension plans and interest rates have diminished, while racial disparities in asset holdings have increased. As the need for long-term care grows in conjunction with increasing life expectancies, future policies must continue to address ways in which financial risks for the elderly can be mitigated.

As McGarry points out, a provision of the Patient Protection and Affordable Care Act attempted to establish a federal long-term care program. However, it was thought to be financially unfeasible and set aside. Additional research on the attitudes of aging populations toward federal long-term care indicates that a distrust of insurance companies, the high cost of policies, and a preference for care from family members present further obstacles to expanding long-term insurance coverage. McGarry argues that effective legislation would take into account these preferences and expectations. She stresses the importance of policies that not only protect current retirees but also guard the balances of Social Security and Medicare funds for future generations.

The information in this policy brief comes from the chapter "The Social Safety Net for the Elderly" in *Legacies of the War on Poverty*.

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