

Economics

Indicator 7: Poverty

Indicator 8: Income

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Indicator 11: Participation in the Labor Force

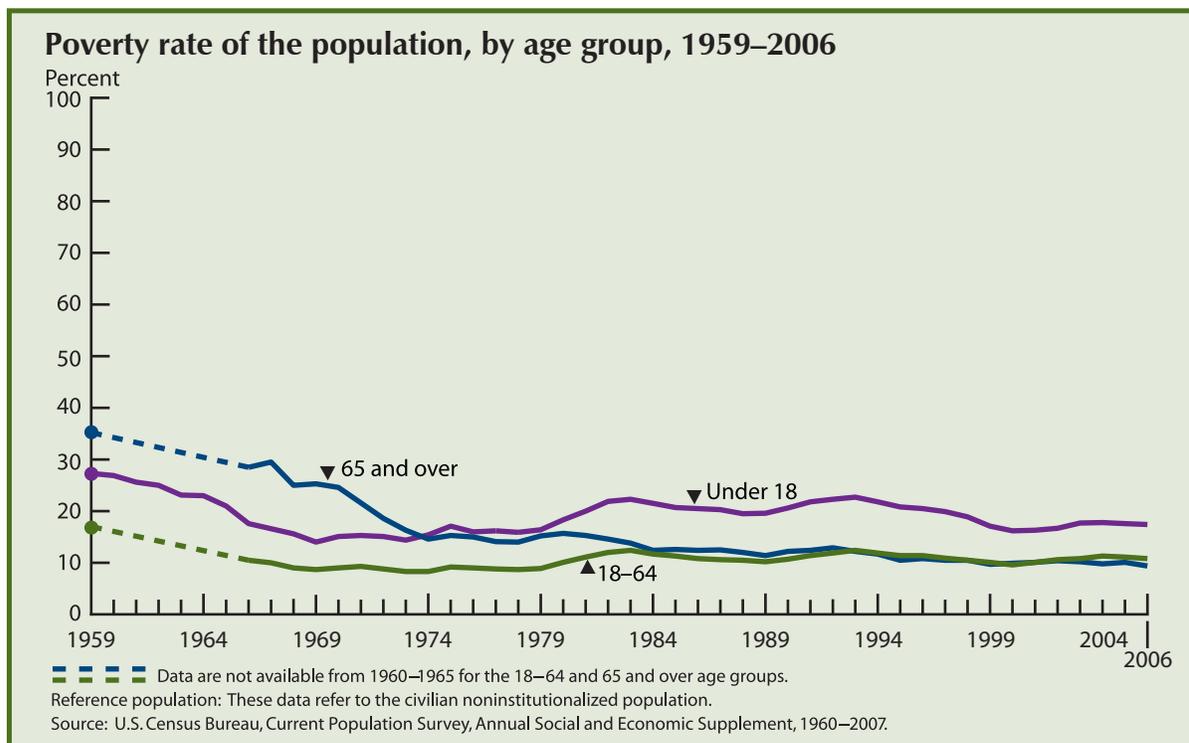
Indicator 12: Total Expenditures

Indicator 13: Housing Problems

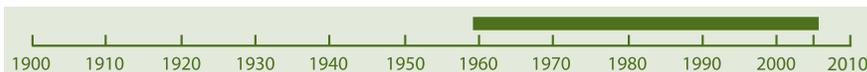
INDICATOR 7

Poverty

Poverty rates offer one way to evaluate economic well-being. The official poverty definition is based on annual money income before taxes and does not include capital gains and noncash benefits. To determine who is poor, the U.S. Census Bureau compares family income (or an unrelated individual's income) with a set of poverty thresholds that vary by family size and composition and are updated annually for inflation. People identified as living in poverty are at risk of having inadequate resources for food, housing, health care, and other needs.



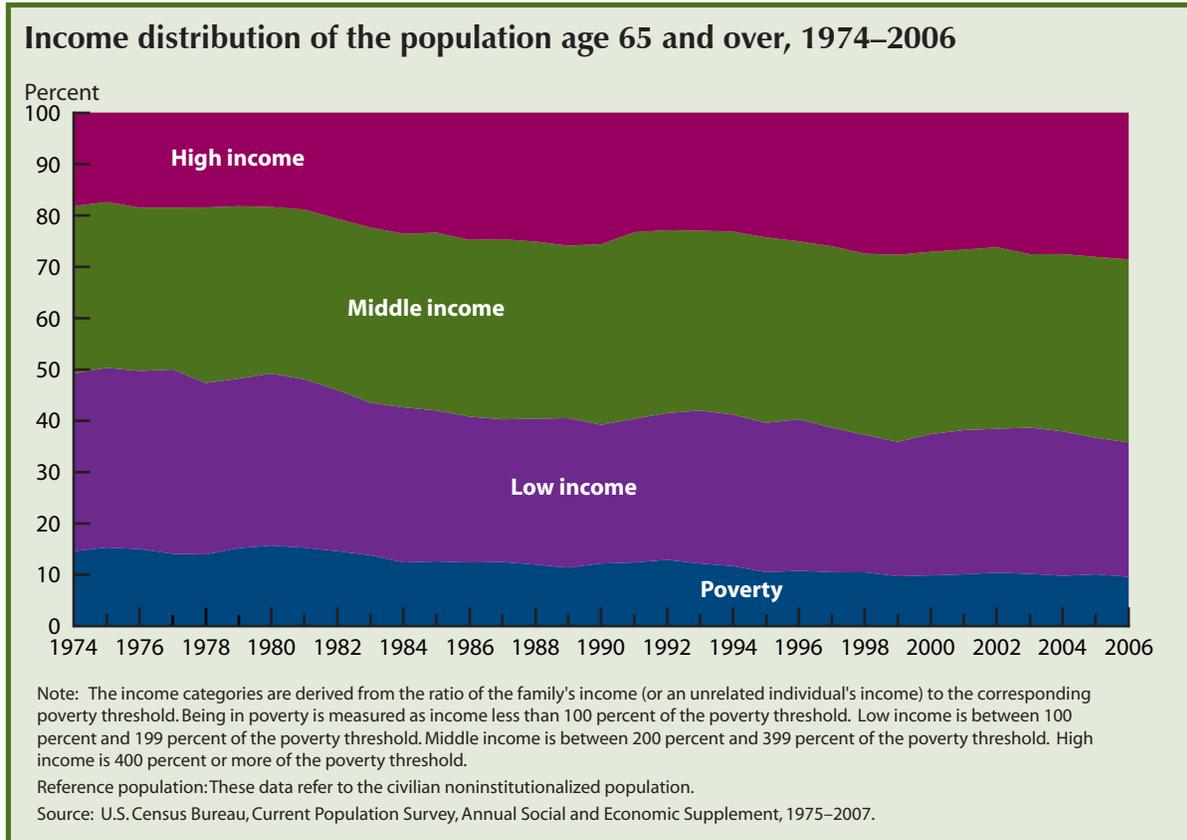
- ◆ In 1959, 35 percent of people age 65 and over lived below the poverty threshold. By 2006, the proportion of the older population living in poverty had decreased dramatically to 9 percent.
 - ◆ Relative levels of poverty among the different age groups have changed over time. In 1959, older people had the highest poverty rate (35 percent), followed by children (27 percent) and those in the working ages (17 percent). By 2006, the proportions of the older population and those of working age living in poverty were 9 percent and 11 percent respectively, while 17 percent of children lived in poverty.
 - ◆ Poverty rates differed by age and sex among the older population. Older women (12 percent) were more likely than older men (7 percent) to live in poverty in 2006. People age 65–74 had a poverty rate of 9 percent, compared with 10 percent of those age 75 and over.
 - ◆ Race and ethnicity are related to poverty among the older population. In 2006, older non-Hispanic whites were far less likely than older blacks and older Hispanics to be living in poverty—about 7 percent compared with 23 percent of older blacks and 19 percent of older Hispanics (not a statistically significant difference between the latter two groups). Older non-Hispanic white and black women had higher poverty rates than their male counterparts.
- All comparisons presented for this indicator are significant at 0.10 confidence level. Data for this indicator's chart and bullets can be found in Tables 7a and 7b on pages 81–82.*



INDICATOR 8

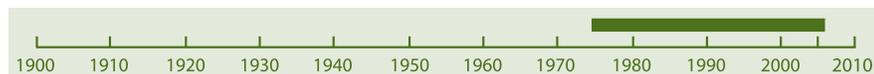
Income

The percentage of people living below the poverty line does not give a complete picture of the economic situation of older Americans. Examining the income distribution of the population age 65 and over and their median income provides additional insights into their economic well-being.



- ◆ Since 1974, the proportion of older people living in poverty and in the low-income group has generally declined so that, by 2006, 9 percent of the older population lived in poverty and 26 percent of the older population were in the low-income group.
- ◆ In 2006, people in the middle income group made up the largest share of older people by income category (36 percent). The proportion with a high income has increased over time. The proportion of the older population having a high income rose from 18 percent in 1974 to 29 percent in 2006.
- ◆ The trend in median household income of the older population has also been positive. In 1974, the median household income for householders age 65 and over was \$19,086 when expressed in 2006 dollars. By 2006, the median household income had increased to \$27,798.

All comparisons presented for this indicator are significant at 0.10 confidence level. Data for this indicator's chart and bullets can be found in Tables 8a and 8b on pages 83–84.

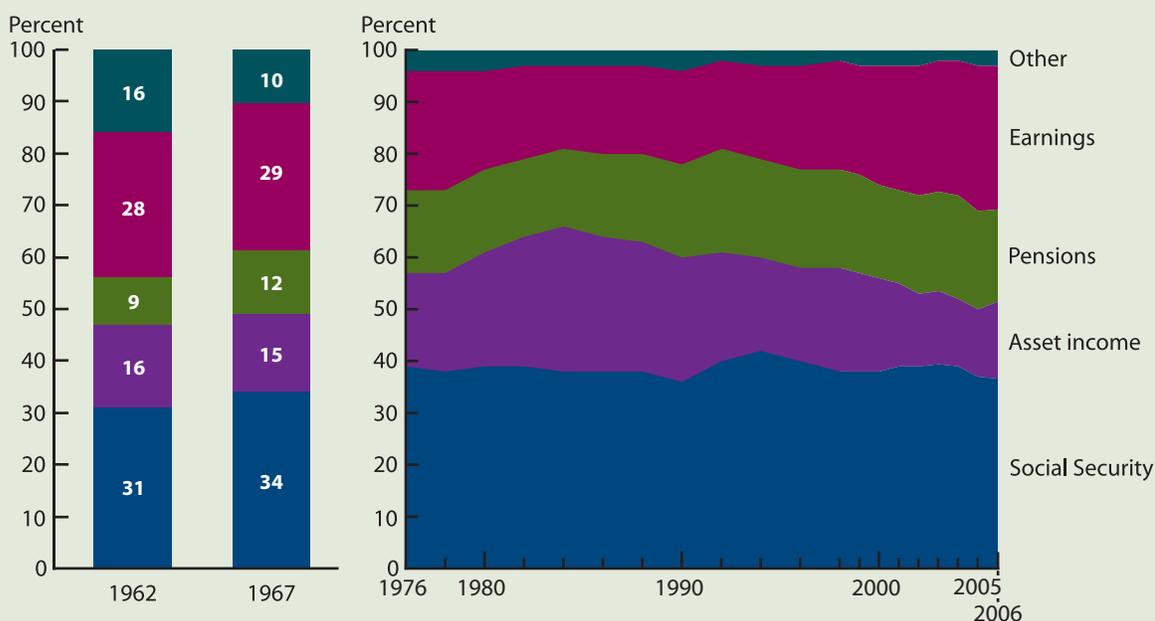


INDICATOR 9

Sources of Income

Most older Americans are retired from full-time work. Social Security was developed as a floor of protection for their incomes, to be supplemented by other pension income, income from assets, and to some extent, continued earnings. Over time, Social Security has taken on a greater importance to many older Americans.

Distribution of sources of income for married couples and nonmarried people who are age 65 and over, selected years 1962–2006

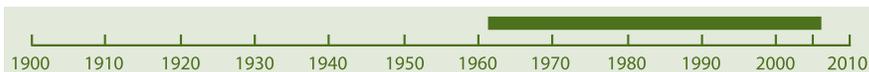


Note: A married couple is age 65 and over if the husband is age 65 and over or the husband is younger than age 55 and the wife is age 65 and over. The definition of "other" includes, but is not limited to, public assistance, unemployment compensation, worker's compensation, alimony, child support, and personal contributions.

Reference population: These data refer to the civilian noninstitutionalized population.

Source: Social Security Administration, 1963 Survey of the Aged, 1968 Survey of Demographic and Economic Characteristics of the Aged; U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 1977–2007.

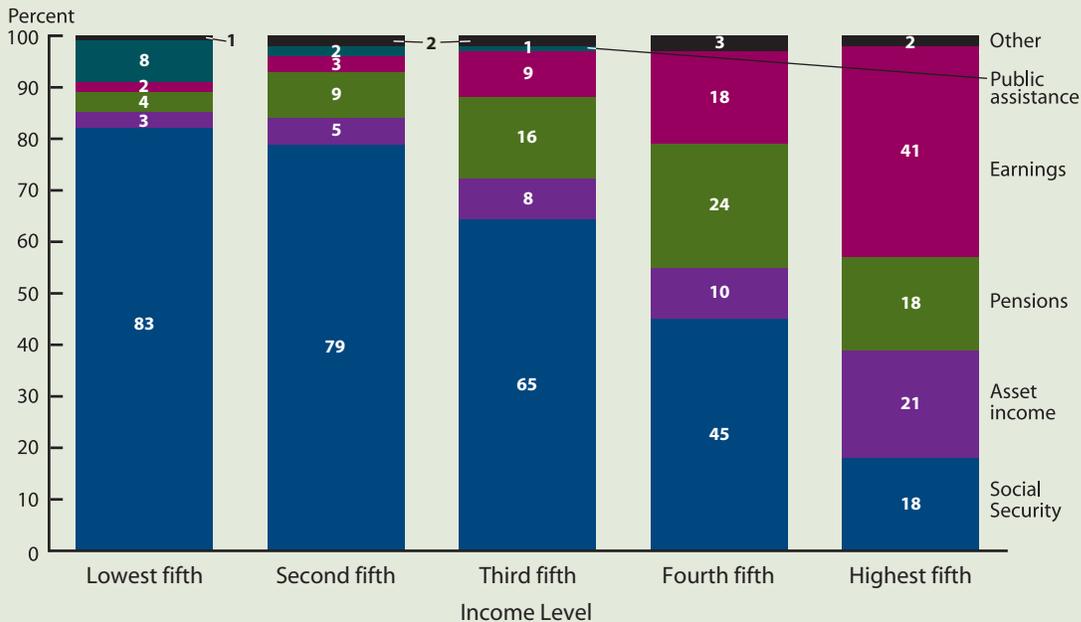
- ◆ Since the early 1960s, Social Security has provided the largest share of aggregate income for older Americans. The share of income from pensions increased rapidly in the 1960s and 1970s and more gradually since then. The share of income from assets peaked in the mid-1980s and has generally declined since then. The share from earnings has had the opposite pattern—declining until the mid-1980s and generally increasing since then.
- ◆ In 2006, aggregate income for the population age 65 and over came largely from four sources. Social Security provided 37 percent, earnings accounted for 28 percent, pensions provided 18 percent, and asset income accounted for 15 percent.
- ◆ Ninety percent of people age 65 and over live in families with income from Social Security. Sixty percent are in families with income from assets, and almost one-half (45 percent) with income from pensions. About one-third (36 percent) are in families with earnings and 1 in 20 are in families receiving public assistance.
- ◆ Pension coverage expanded dramatically in the 2 decades after World War II, and private pensions accounted for an increasing proportion of income for older people during the 1960s and early 1970s. Since then, the coverage rate has been stable at about 50 percent of all private workers on their jobs.^{6,7}



INDICATOR 9

Sources of Income continued

Sources of income for married couples and nonmarried people who are age 65 and over, by income quintile, 2006



Note: A married couple is age 65 and over if the husband is age 65 and over or the husband is younger than age 55 and the wife is age 65 and over. The definition of "other" includes, but is not limited to, unemployment compensation, worker's compensation, alimony, child support, and personal contributions. Quintile limits are \$11,519 for the lowest quintile, \$18,622 for the second quintile, \$28,911 for the third quintile, \$50,064 for the fourth quintile, and open-ended for the highest quintile.

Reference population: These data refer to the civilian noninstitutionalized population.

Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2007.

- ◆ There has been a major shift in the type of pensions provided by employers, from defined-benefit plans (in which a specified amount is typically paid as a lifetime annuity) to defined-contribution plans such as 401(k) plans (in which the amount of the benefit varies depending on investment returns). Employers increasingly offer defined-contribution plans to employees. The percentage of private workers who participated in defined-benefit plans decreased from 32 percent in 1992–1993 to 21 percent in 2005.⁷ Over the same period, participation in defined-contribution plans increased from 35 percent to 42 percent. In recent years, a growing number of employers have converted their defined-benefit plans to cash balance plans.
- ◆ Among married couples and nonmarried people age 65 and over in the lowest fifth of the

income distribution, Social Security accounts for 83 percent of aggregate income, and public assistance accounts for another 8 percent. For those whose income is in the highest income category, Social Security, pensions, and asset income each account for about one-fifth of aggregate income, and earnings account for the remaining two-fifths.

- ◆ For the population age 80 and over, a larger percentage of people lived in families with Social Security income (95 percent) and smaller percentage with earnings (20 percent), compared with the population age 65–69 (85 percent and 53 percent, respectively).

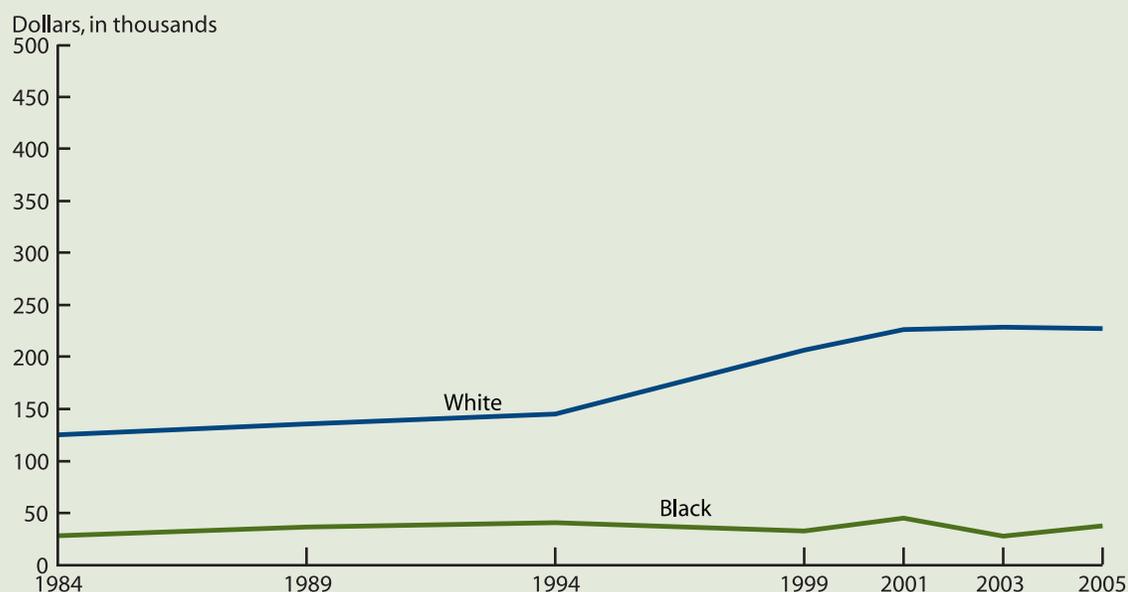
Data for this indicator's charts and bullets can be found in Tables 9a, 9b, and 9c on pages 85–86.

INDICATOR 10

Net Worth

Net worth (the value of real estate, stocks, bonds, and other assets minus outstanding debts) is an important indicator of economic security and well-being. Greater net worth allows a family to maintain its standard of living when income falls because of job loss, health problems, or family changes such as divorce or widowhood.

Median household net worth, by race of head of household age 65 and over, in 2005 dollars, selected years 1984–2005

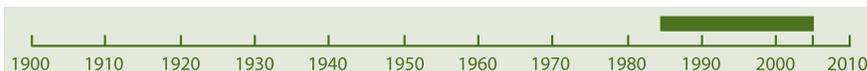


Note: Net worth data do not include pension wealth. This excludes private defined-contribution and defined-benefit plans as well as rights to Social Security wealth. Data for 1984–2003 have been inflation adjusted to 2005 dollars. See Appendix B for the definition of race and Hispanic origin in the Panel Study of Income Dynamics.

Reference population: These data refer to the civilian noninstitutionalized population.

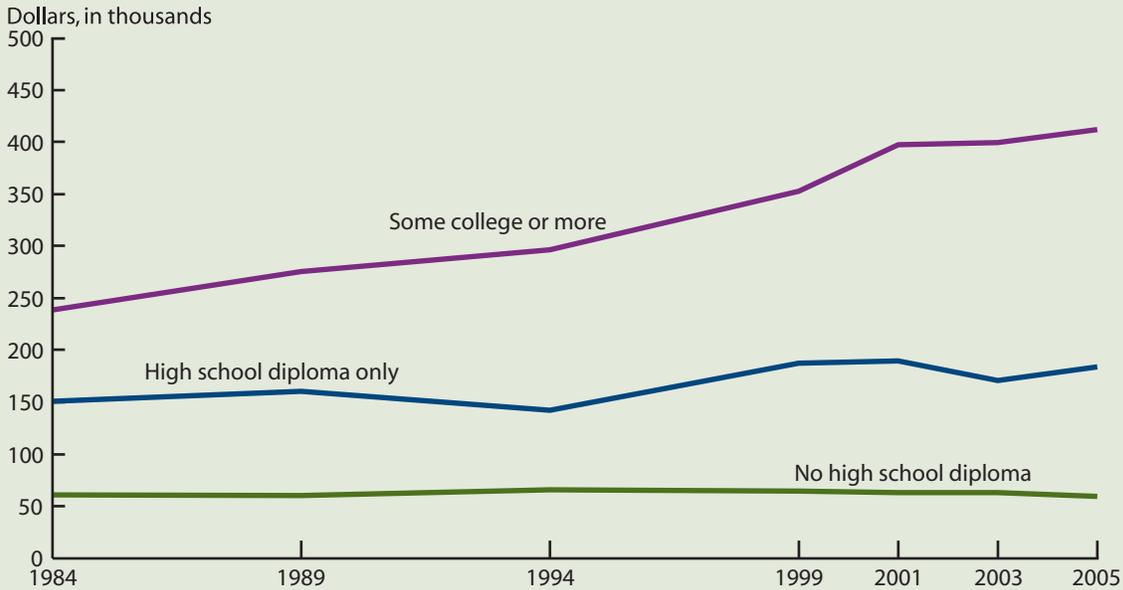
Source: Panel Study of Income Dynamics.

- ◆ Between 1984 and 2005, the median net worth of households headed by white people age 65 and over increased 81 percent from \$125,000 to \$226,900. The median net worth of households headed by black people age 65 and over increased 34 percent from \$28,200 to \$37,800.
- ◆ In 1984, the median net worth of households headed by white people age 65 and over was 4 times that of households headed by black people. In 2005, the median net worth of older white households was 6 times that of older black households. This difference is less than it was in 2003 when the median net worth of households headed by older white people was 8 times higher than that of households headed by older black people.
- ◆ In 2005, the median net worth of households headed by married people age 65 and over (\$328,300) was more than three times that of households headed by unmarried people (\$104,000) in the same age group.
- ◆ Overall, between 1984 and 2005, the median net worth of households headed by people age 65 and over increased by 79 percent (from \$109,000 to \$196,000).



INDICATOR 10 Net Worth continued

Median household net worth, by educational attainment of head of household age 65 and over, in 2005 dollars, selected years 1984–2005

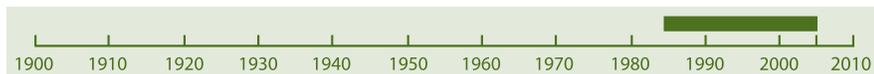


Note: Net worth data do not include pension wealth. This excludes private defined-contribution and defined-benefit plans as well as rights to Social Security wealth. Data for 1984–2003 have been inflation adjusted to 2005 dollars.
 Reference population: These data refer to the civilian noninstitutionalized population.
 Source: Panel Study of Income Dynamics.

- ◆ In 2005, households headed by people age 65 over with some college or more reported a median household net worth (\$412,100) more than six times that of households headed by older people without a high school diploma (\$59,500).
- ◆ Between 1984 and 2005, the median net worth of households headed by people age 65 and

over without a high school diploma remained approximately the same, while the median net worth of households headed by people with some college or more increased by 72 percent.

Data for this indicator's charts and bullets can be found in Table 10 on page 87.

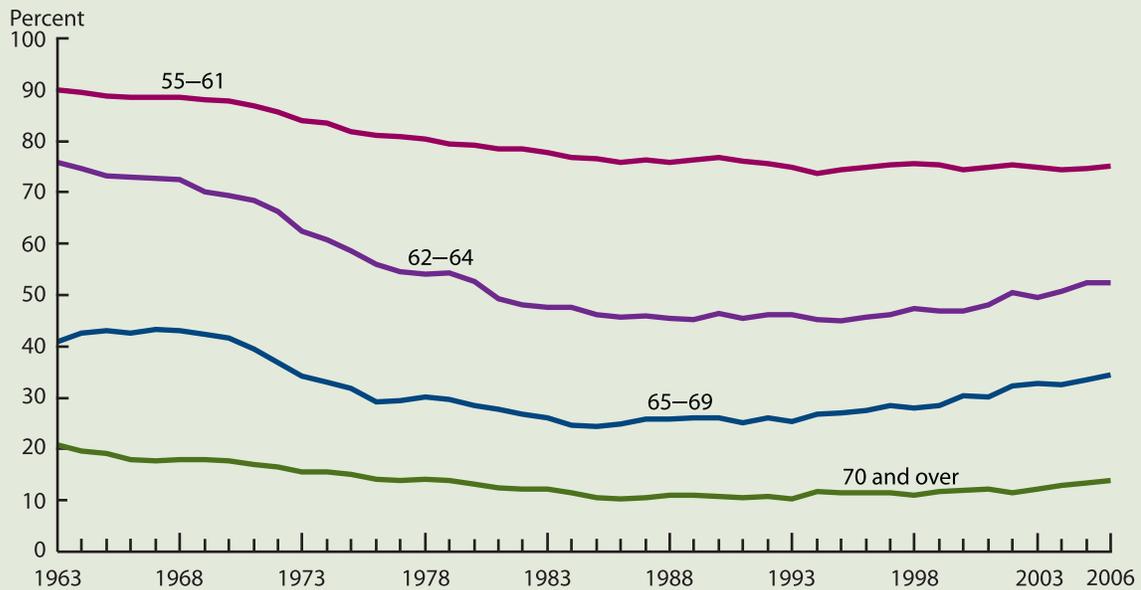


INDICATOR 11

Participation in the Labor Force

The labor force participation rate is the percentage of a group that is in the labor force—that is, either working (employed) or actively looking for work (unemployed). Some older Americans work out of economic necessity. Others may be attracted by the social contact, intellectual challenges, or sense of value that work often provides.

Labor force participation rates of men age 55 and over, by age group, annual averages, 1963–2006

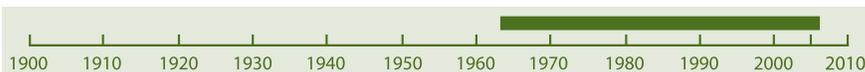


Note: Data for 1994 and later years are not strictly comparable with data for 1993 and earlier years due to a redesign of the survey and methodology of the Current Population Survey. Beginning in 2000, data incorporate population controls from Census 2000.

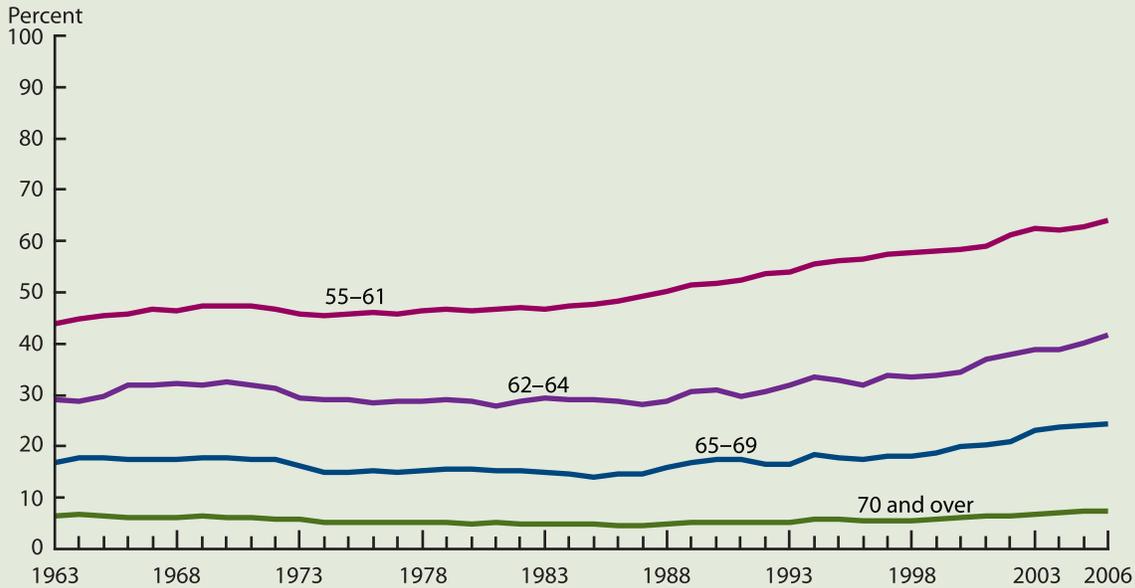
Reference population: These data refer to the civilian noninstitutionalized population.

Source: Bureau of Labor Statistics, Current Population Survey.

- ◆ Between 1963 and 2006, labor force participation rates declined from 90 percent to 75 percent among men age 55–61. Over this period, participation rates declined from 76 percent to 52 percent for men age 62–64 and from 21 percent to 14 percent for men age 70 and over. For these age groups, most of the decline occurred prior to the early 1980s.
- ◆ The decline in labor force participation among older men before the 1980s has been attributed to several factors. The youngest age of eligibility for Social Security benefits was reduced from 65 to 62 in the early 1960s. Greater wealth also allowed older Americans to retire earlier.⁸ The more recent stability of participation rates has been partially explained by the elimination of mandatory retirement laws, liberalization of the Social Security earnings test (the reduction of Social Security benefits as earnings exceed specified amounts), and gradual increases in the delayed retirement credit for Social Security beneficiaries.⁹
- ◆ While men age 65–69 also experienced an overall decline in labor force participation from 1963 to the mid-1980s, this group has gradually increased its participation rate in more recent years. The labor force participation rate for men age 65–69 showed a gradual decline from about 43 percent in the late 1960s to 24 percent in 1985. Their participation rate leveled off from the mid-1980s to the early 1990s, holding in the 24 percent to 26 percent range. From 1993 to 2006, the rate increased from 25 percent to 34 percent.



Labor force participation rates of women age 55 and over, by age group, annual averages, 1963–2006



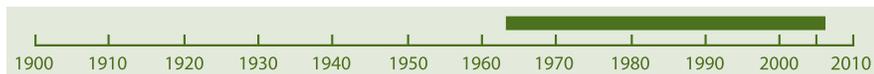
Note: Data for 1994 and later years are not strictly comparable with data for 1993 and earlier years due to a redesign of the survey and methodology of the Current Population Survey. Beginning in 2000, data incorporate population controls from Census 2000.
 Reference population: These data refer to the civilian noninstitutionalized population.
 Source: Bureau of Labor Statistics, Current Population Survey.

- ◆ Labor force participation rates have risen among women age 55 years and over during the past 4 decades. The increase has been largest among women age 55–61, from 44 percent in 1963 to nearly 64 percent in 2006, with a majority of the increase occurring after 1985. For women age 62–64, 65–69, and 70 years and over, most of the increase in their participation rates began in the mid-1990s.
- ◆ Labor force participation rates for older women reflect changes in the work experience of successive generations of women. Many women now in their 60s and 70s did not work outside the home when they were younger, or they moved in and out of the labor force. As new cohorts of women approach older ages, they are participating in the labor force at higher rates than previous generations. As a

result, in 2006, nearly 64 percent of women age 55–61 were in the labor force, compared with 44 percent of women age 55–61 in 1963. Over the same period, the labor force participation rate increased from 29 percent to 42 percent among women age 62–64 and from 17 percent to 24 percent among women age 65–69.

- ◆ The difference between labor force participation rates for men and women has narrowed over time. Among people age 55–61, for example, the gap between men’s and women’s rates in 2006 was 11 percentage points, compared with 46 percentage points in 1963.

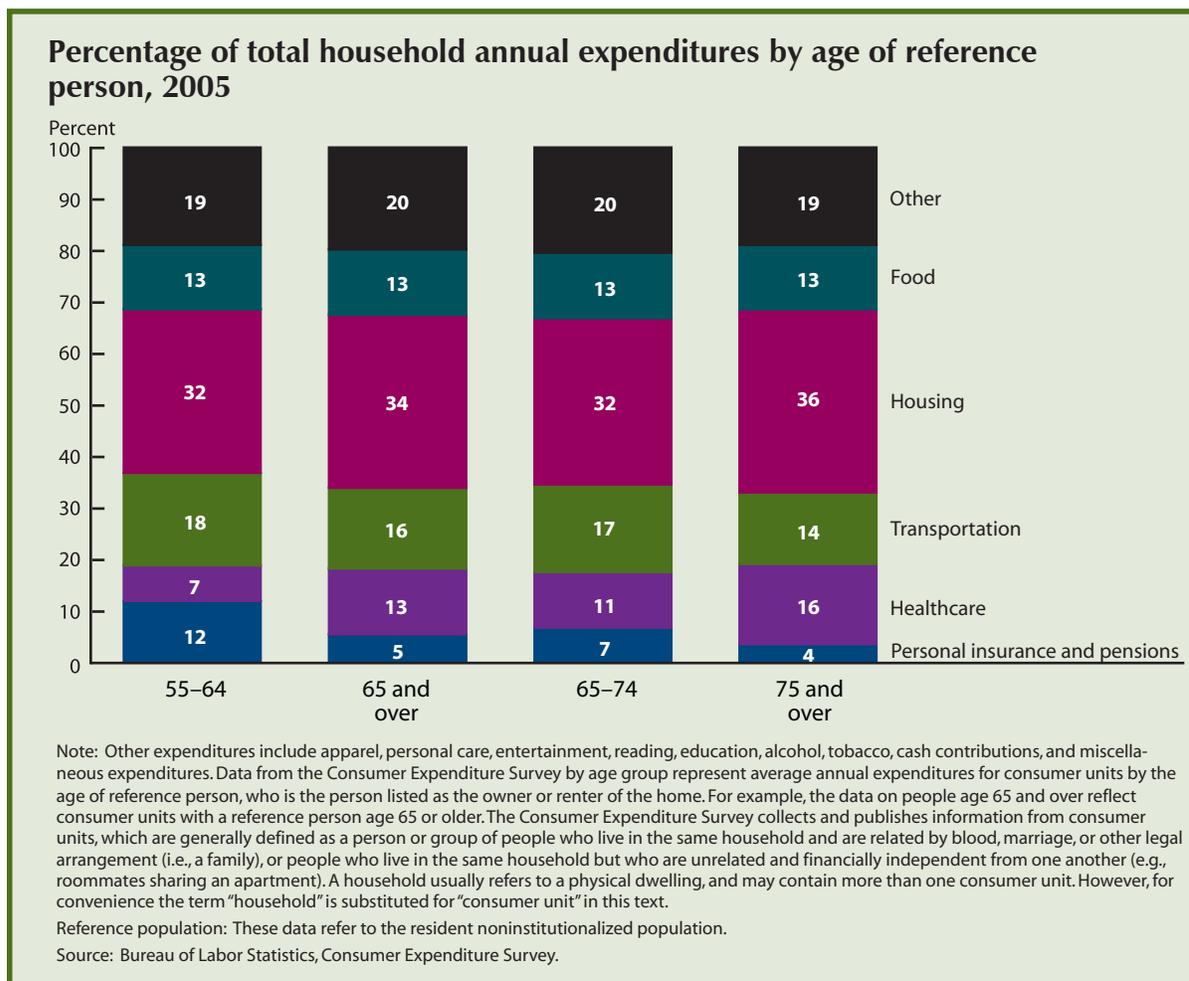
Data for this indicator’s charts and bullets can be found in Table 11 on page 88.



INDICATOR 12

Total Expenditures

Expenditures are another indicator of economic well-being that show how the older population allocates resources to food, housing, health care, and other needs. Expenditures may change with changes in work status, health status, or income.



- ◆ Households headed by people age 65 and over allocated about 34 percent of their total annual expenditures to housing expenses, the largest single component of annual expenditures. Transportation expenses accounted for about 16 percent of total spending. Food accounted for about 13 percent of total spending.
- ◆ About 13 percent of all expenditures in households headed by people age 65 and over were on healthcare expenses, which includes health insurance, medical services, drugs, and medical supplies. In comparison, the proportion of total expenditures on healthcare among households headed by people age 55-64 was 7 percent.
- ◆ Households headed by people age 55-64, allocated a larger share of total expenditures (12 percent) to personal insurance and pensions (including Social Security payroll taxes) than those headed by people age 65 and over (5 percent).

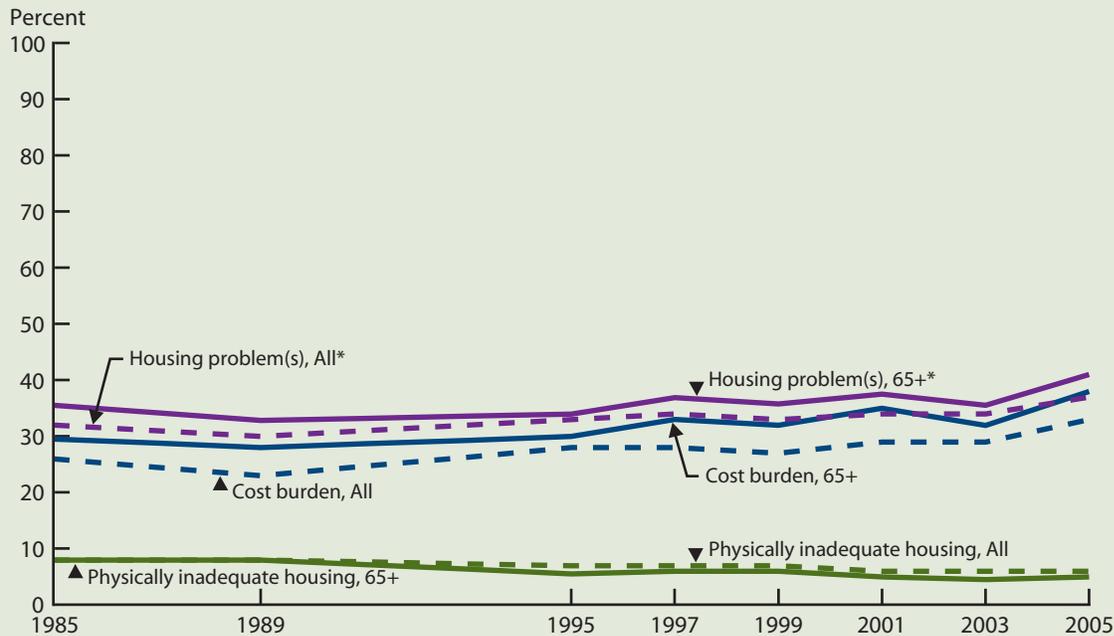
Data for this indicator's chart and bullets can be found in Table 12 on page 89.

INDICATOR 13

Housing Problems

Most older people live in adequate, affordable housing. For some, however, costly or physically inadequate housing can pose serious problems to an older person’s physical or psychological well-being.

Percentage of all U.S. households and households with residents age 65 and over that report housing problems, by type of problem, selected years 1985–2005



(All) All U.S. households; (65+) U.S. households with one or more residents age 65 and over.
 *Although crowded housing is not a common problem for older people (less than 1 percent), it is included as one of three possible housing problems under “housing problem(s).” See Tables 13a and 13b in Appendix A for more information.
 Reference population: These data refer to the resident noninstitutionalized population. People residing in noninstitutional group homes are excluded.
 Source: Department of Housing and Urban Development, American Housing Survey.

- ◆ In 2005, 41 percent of households with people age 65 and over had one or more of the following types of housing problems: housing cost burden, physically inadequate housing, and/or crowded housing. This is the highest level since 1985. By comparison, the occurrence of such problems among all U.S. households was 37 percent in 2005.
- ◆ The prevalence of housing cost burden, or expenditures on housing and utilities that exceeds 30 percent of household income, has increased for all U.S. households but is more prevalent among the households with people age 65 and over. Between 1985 and 2005, housing cost burden for households with older people increased from 30 percent to 38 percent. By comparison, the prevalence of housing cost

burden among all U.S. households increased from 26 percent in 1985 to 33 percent in 2005.

- ◆ Physically inadequate housing, or housing with severe or moderate physical problems such as lacking complete plumbing or having multiple upkeep problems, has become less common. In 2005, 5 percent of households with people age 65 and over had inadequate housing, compared with 8 percent in 1985. In contrast, 6 percent of U.S. households overall reported living in physically inadequate housing during 2005 compared with 8 percent in 1985.

Data for this indicator’s chart and bullets can be found in Tables 13a and 13b on pages 89–92.

