

Center for Retirement Research
Center for Retirement Research Working
Papers

Boston College

Year 2001

The Senior Income Guarantee (SIG): A
New Proposal to Reduce Poverty Among
the Elderly

Timothy M. Smeeding

R. Kent Weaver

**THE SENIOR INCOME GUARENTEE (SIG):
A NEW PROPOSAL TO REDUCE POVERTY AMONG THE
ELDERLY**

Timothy M. Smeeding*
R. Kent Weaver

CRR WP 2001-12
December 2002

Center for Retirement Research at Boston College
550 Fulton Hall
140 Commonwealth Ave.
Chestnut Hill, MA 02467
Tel: 617-552-1762 Fax: 617-552-1750
<http://www.bc.edu/crr>

* Timothy M. Smeeding is the Maxwell Professor of Public Policy at Syracuse University. R. Kent Weaver is a Senior Fellow at the Brookings Institution. The opinions and conclusions are solely those of the author and should not be construed as representing the opinions or policies of SSA or any agency of the Federal Government or of the Center for Retirement Research at Boston College. We thank Gary Burtless for comments on an earlier draft and Kim Desmond, Mary Santy, and Kati Foley for manuscript preparation.

© 2001, by Timothy M. Smeeding and R. Kent Weaver. All rights reserved. Short sections of text, not to exceed two paragraphs, may be quoted without explicit permission provided that full credit, including © notice, is given to the source.

About the Center for Retirement Research

The *Center for Retirement Research at Boston College*, part of a consortium that includes a parallel center at the University of Michigan, was established in 1998 through a 5-year grant from the Social Security Administration. The goals of the Center are to promote research on retirement issues, to transmit new findings to the policy community and the public, to help train new scholars, and to broaden access to valuable data sources. Through these initiatives, the Center hopes to forge a strong link between the academic and policy communities around an issue of critical importance to the nation's future.

Center for Retirement Research at Boston College

550 Fulton Hall
140 Commonwealth Ave.
Chestnut Hill, MA 02467
phone: 617-552-1762 fax: 617-552-1750
e-mail: crr@bc.edu
<http://www.bc.edu/crr>

Affiliated Institutions:

Massachusetts Institute of Technology
Syracuse University
The Brookings Institution
Urban Institute

Introduction

Social Security reform is back near the top of the public agenda after a 15-year absence. The Bush administration seeks a partial privatization of Social Security, while avoiding new payroll taxes. The administration will almost certainly try to limit its agenda to the creation of an individual account system of some sort. But the debate will not necessarily be limited to that issue, nor should it. The narrowness of political margins in Congress, the absence of a strong electoral mandate for the president, and the widespread popularity of the current Old Age and Survivors Insurance (OASI) system suggest that if some type of plan for individual accounts is to be enacted, political and policy tradeoffs will have to be made to assemble a winning coalition. Supporters of the Bush administration and skeptics alike should be prepared with thoughtful proposals to improve the overall quality of the income retirement system in the United States, while offering the potential to facilitate agreement on a broader Social Security reform package.

One of the key tradeoffs that such a reform package faces is the one between the benefit risks inherent in the transformation to a privatized system compared to a guaranteed level of benefit adequacy in old age. We address this tradeoff by proposing an effective and relatively inexpensive program to provide a minimally adequate floor to old age income through the Social Security system. This Senior Income Guarantee (SIG) provides a cost-effective method for reducing elder poverty to very low levels. Thus, it provides a counterbalance to the old age income risks inherent in a partially privatized Social Security system.

Poverty among the Aged

One area where further progress could be made is in providing a better minimum pension guarantee for the elderly. Overall, poverty among the elderly has declined greatly over the past 40 years, but significant pockets of poverty remain among the elderly, especially among elderly women living alone. Figure 1 shows that while 35 percent of older Americans were poor in 1960, slightly more than one in ten of all persons 65 and over are below the official poverty line today. Poverty declined twice as fast among the elderly after 1960 as it did for other Americans. However, elder poverty rose from 9.7 to 10.2 percent between 1999 and 2000 and is now significantly different (at the 5 percent confidence level) from the adult poverty rate of 9.4 percent (Figure 1).

This generally good news should, therefore, not obscure the equal reality that many older people remain economically vulnerable. Many of them are not very far above the official poverty line. If we extend our poverty measure slightly upward to include the near poor living below 125 percent of the current poverty line (from \$8,250 to about \$10,300 per year for a single, elderly person in 2000),¹ about where the National Academy of Sciences (Citro and Michael 1995) thinks it should be, we add a much larger fraction of the aged than nonaged (Table 1). This is even truer if we move to a “decent” but still low standard of living (e.g., 150 percent of poverty or about \$12,400 per year for a single person). If “near poverty” is the correct measure, then the aged are relatively over-represented at both 125 percent and 150 percent of poverty (Table 1, right two columns).

Elderly women have higher poverty rates than elderly men (Table 1, Panel A), and their economic vulnerability is often triggered by important life changes, such as the onset of extreme poor health, the death of a spouse, or divorce. Single elderly women are the most vulnerable

population. Using official statistics, 21 percent of older women living alone are poor, more than twice the rate for all older people; and 35 percent of these women are below 125 percent of poverty. The prospects for older black or Hispanic single women are particularly bleak, as their poverty rates are 20 to 25 percent, while 38 to 43 percent of all older black or Hispanic women living alone are below the official poverty line, and 55 to 59 percent are below the 125 percent line (Table 1, Panel B). The image of the affluent elderly that characterizes American debates about Social Security reflects the fact that the income distribution among American seniors, like that of Americans generally, is highly unequal, and that inequality is reflected in their poverty rates. Moreover, current trends in divorce, nonmarriage and ethnic diversity will result in increased numbers of low-income older single women over the next 20 or 30 years (Smeeding 1999).

The relatively precarious economic position of the elderly in the United States is even more evident when we look at comparative data. Table 2 shows “relative poverty” rates, that is poverty measured relative to median income in the country, for eight rich countries, using two alternative thresholds: 40 and 50 percent of median income. In this table Australia, the United States, and the United Kingdom have relatively higher poverty rates; France and Germany are in the middle range poverty rate range; and Canada, the Netherlands, and especially Sweden have generally lower elder poverty levels. The United States, The United Kingdom, and Australia stand out with the highest overall poverty rates especially at the higher standard, suggesting that they all have a large near poor population, with incomes between the 40 and 50 percent lines. Australia and the United States stand out especially at the 40 percent of median line as no other nation in this group has an elder poverty rate higher than 4 percent (Table 2, Panel A).

These patterns are even more striking if we focus on poverty among older women. Older women in general (Table 2, Panel B), women living alone (Panel C), and the oldest (aged 75 and

over) women living alone (Panel D) do progressively worse on average and in almost every country. In some places the differences are very large. The general pattern is that poverty rates rise within countries as one moves down the table and to the right, suggesting that gender, age, and living arrangements among women all tend to affect poverty status. Not only does the average fraction of women who are poor increase as we move down the table, the difference between the 40 and 50 percent poverty standards also widens.

In some nations—e.g., Sweden, The Netherlands, and Canada—older women generally do better than in others. In all nations but these three, poverty rates for the oldest women living alone, at 50 percent of median income standard, are 17 percent or more. The United States, with 42 percent of older women living alone in poverty at the higher standard, is exceeded only by Australia. At the 40 percent of average income standard, the poverty of older women is highest in the United States, especially the 26 percent rates among older women living alone.

Because of gender differences in life expectancy, older women make up the majority of the elderly population in every rich country. The fraction of the elderly poor who are women in general, and women living alone in particular, is very high. While 55 percent of all persons aged 65 and over are elderly women, 69 to 70 percent of the elderly poor are women. Older women living alone average about 28 percent of all persons 65 and over, but are nearly one-half (49 percent) of all poor persons in these nations. At still older ages (aged 75 and over), where needs are greatest, 72 to 73 percent of the poor are women and 58 to 59 percent are women living alone (Smeeding 2001, Table 3). Thus, the poverty problem in old age in all of these rich nations is concentrated among the oldest women, particularly single older women who live alone.

Most current Social Security reform proposals are not designed to meet the needs of the most vulnerable elders, those 75 or over, and especially older women living alone (Steuerle 2001; Smeeding 1999). Indeed, the economic vulnerability of the elderly is likely to be increased

if the United States moves toward partial privatization, because such a system would likely be less redistributive toward retirees with low lifetime earnings than the current system. Seniors would probably also be exposed to increased administrative costs and greater risks regarding the value of their retirement savings accounts and annuity prices when they retire under such a system. Finally, most of the Social Security reform proposals that do address these issues only partially address them, for instance, by only considering benefit changes for elderly widows and survivors (e.g., D.A. Weaver 2001) and by not including other groups of at-risk elders such as divorcees (Smeeding 2001).

Income Maintenance

Most nations fight poverty among the old by assembling some combination of three programmatic income maintenance strategies:

- Citizenship retirement (universal pensions)
- Social retirement (social insurance)
- Social safety net (social assistance)

The first strategy usually consists of a universal (or nearly universal), pay-as-you-go, flat-rate benefit, sometimes phased out for those with higher incomes. The second strategy, social insurance, generally ties benefits more closely to earnings histories, although many social insurance pension systems also provide a modicum of benefit adequacy to all of their participants by filtering benefits toward those with lower lifetime earnings histories. Countries like the United Kingdom and Canada combine universal and earnings related pensions: a lower tier provides a higher replacement rate for lower lifetime earners, coupled with an upper tier that is more closely related to contributions up to an earnings ceiling. Social retirement schemes are usually based on

individual earnings, supplemented by a spousal benefit package (including survivors benefits) for those who spent less career time in the paid labor force. In most northern European countries the citizen pension is relatively high while the social insurance tier is smaller (K.D. Weaver 2001).

In most societies, these citizenship and/or social retirement schemes are the major source of income of the aged. Most nations, however, also couple these programs with some form of social assistance or safety net benefit targeted at the low-income population. Among the advanced industrial countries, only Australia relies exclusively on an income-tested system of old age benefit with neither a universal nor a contributory social retirement scheme; it has recently adopted a system of mandatory occupational pensions to add another tier to these benefits.

The effects of both types of benefits on household poverty rates are clearly laid out in Table 3, where we progress from market income (MI) poverty rates (in Column (A)) to disposable income (DI) poverty rates (in Column (D)), factoring in all three types of social spending outlined above. We also include the effects of occupational pensions that are contributory old age income schemes, related to either private or public employment and almost always directly tied to previous earnings. We include two separate panels, one for all households, the other for female-headed households, both measured at the 50 percent needs standard.²

Moving from left to right, we can identify the sequential impact of each type of old age income support. As expected, poverty rates are highest based on market income alone. Most elderly households do not have sufficient earnings and property income (interest, rent, dividends) to eliminate poverty by themselves. This is particularly true for female-headed units (Panel B). Countries that have higher labor force participation rates or large accumulated financial wealth stocks at older ages have lower Market Income (MI)-based poverty rates (e.g., United States) than do other nations. The second Column (B) adds in occupational pensions (and other private

transfers). In nations that rely more heavily on such schemes, poverty rates are lower. For instance, elder poverty, including occupational pension benefits, is in the 60 to 67 percent range in the United States, the United Kingdom, Canada, and The Netherlands for all of the elderly, and in the 77 to 79 percent range for older women in the United States and The Netherlands. It is much higher in societies that have much lower (or fewer) occupational pensions, e.g., Sweden and France, and in Australia, where the new mandatory occupational pensions should eventually reduce this poverty rate for women as well as for men.

Counting these several sources of income sets the stage for measuring the impact of the income maintenance system. Column (C) shows the impact of universal and social insurance programs. Column (D) shows the impact of the social assistance “safety net” programs. The largest effect on old age poverty in every nation (except Australia) comes from the citizenship/social retirement systems in both panels. In general, the larger and more inclusive the social insurance system, and the higher the first-tier benefit for lower wage earners, the larger the antipoverty effect (Column (E)). Thus, Sweden, Germany, France, and The Netherlands have the largest effects on poverty, with 60 to 78 percentage point reductions for the elderly in general and 68 to 86 percent declines for older women. In lower spending nations like Canada, the United States, and the United Kingdom, the effect on poverty is also less, with social retirement reducing elder poverty by only 36 to 49 percentage points overall. For older women, the effects of social retirement on poverty run from 29 to 35 percent reductions in the United States and the United Kingdom, up to 60 percent in reductions in Canada. Because elder women are liable to have less in terms of occupational pensions, earnings, and wealth, they are more likely to be dependent on social insurance or social assistance (safety net) programs to keep them from poverty. This is true in all of these nations, the United States included (Smeeding, Estes, and Glasse 1999). Universal and social insurance pensions can also be very expensive and blunt

instruments, spending quite a large amount of public funds to achieve a low poverty reduction result (Smeeding and Smith 1998; Gruber and Wise 2001).

These benefits set the scene for the final stage impacts of the social assistance or “safety net” programs (in Column (F)). Here, skillfully targeted supplements with high participation rates may produce large marginal antipoverty effects. In Australia the limits and benefits of income testing are both apparent. Take-up rates and other features of the Australian system produce the largest effect for safety net transfers, but when coupled with Australia’s nonexistent social insurance system, have one of the lowest overall antipoverty effects (Column (G)). In the United Kingdom and Canada, the safety net impacts are largest. In the other countries (e.g., France and The Netherlands) the effects are small with most of the “heavy lifting” of the elderly out of poverty is already accomplished by their social retirement system. In the United States, the effects are weak, owing to the less than full integration of Supplemental Security Income (SSI) with social retirement, the relatively low SSI benefit guarantee, relatively low Food Stamp take-up rates among the elderly, and the stringent liquid asset tests in both programs (U.S. Congress 2000).

The effects for older women show much the same cross-national pattern but with larger safety net impacts, especially in Canada and the United Kingdom. In the United States, the safety net effects are less than 1 percent overall reduction in poverty, and almost zero impact for older women. Thus, while the SSI program and Food Stamps provide some help to low-income older Americans, the benefits do not seem to be sufficient to lift them out of poverty.

The net effects of these systems (Column (G)) are to produce widely varying poverty outcomes depending on the mix and strength of each component of the system. Those systems that spend more, especially on social insurance (e.g., Sweden, Germany, The Netherlands, and France) end up with lower poverty rates. Those whose spending is modest, but with well-

targeted, high participation rate social assistance benefits also seem to do well (e.g., Canada), while those who do not spend as much, or whose systems are not well targeted, do worse (e.g., Australia, the United Kingdom, and especially the United States).

Benefit Levels

However it is structured, the minimum old age benefit for a single person from the combined social retirement/social safety net package is also an important determinant of poverty (Figures 2 and 3). Here we examine the minimum income package for single elderly persons in the same eight countries, expressed as a percent of adjusted median income. The level of the safety net benefit varies considerably across countries. If a nation has a low minimum benefit package, poverty rates will be higher than if it has a higher level of minimum benefit generosity. In both figures the nation that stands out most clearly is the United States, which has the least generous minimum benefit level of all the nations studied here, far below the next nearest country (United Kingdom) and even farther below the eight-country average (Figures 2 and 3).

Minimum pension guarantees vary substantially across countries in their transparency as well as their generosity. The most notable difference is whether the minimum guarantee is imbedded in a universal or earnings-related program or takes the form of a separate program with income and/or assets limitations. This difference matters a lot for the overall antipoverty effectiveness of social spending on the aged. Canada and the United Kingdom, for example, offer a basic quasi-universal pension topped up by an income-tested pension received by over 35 percent of all pensioners. The Social Security system in the United States, on the other hand, disproportionately rewards the first dollars of earnings in calculating benefit replacement rates, which provides additional benefits to those working at low wages. The United States does

not have a specific income guarantee within Social Security. It has, however, a special minimum benefit for those who work for many years at low wages.³ In contrast, the SSI program does offer a minimum guarantee, but it serves only about one twenty-fifth as many aged persons as Social Security, and it suffers from both low take-up rates and asset tests. The take-up rates in SSI among the elderly are only the 60 to 67 percent range, and many elderly are not eligible because of the stringent liquid assets tests of \$2,000 for a single person (\$3,000 for a couple). Benefit levels (but not asset levels) are annually adjusted for changes in the Consumer Price Index (CPI).

The Canadian case is particularly instructive in each of these comparisons. Canada has managed to achieve much greater poverty reduction among seniors while spending much less on social retirement programs than other rich countries (and slightly more than the United States). The reason is that Canada spends its public pension money differently, in particular, spending a lot on the near-universal Old Age Security and income-tested Guaranteed Income Supplement (GIS) programs, with no asset test and a relatively simple annual application process that integrates an income test with income tax filing. Over 90 percent of the eligible Canadian elderly participate in GIS (Battle 1997, 2001), compared to about 60 percent elder participation in SSI in the United States (U.S. Congress 2000; McGarry 2000; D.A. Weaver 2001; Davies, et al. 2000). Canada allocates close to 9 percent of its total tax-and-transfers retirement income spending on GIS, while the United States allocates less than 2 percent of government retirement income spending on the SSI program (Table 4). SSI benefits accrue to about 10 percent of the United States aged; GIS benefits reach 36 percent of Canadian elders (Smeeding 2001a; Battle 1997, 2001). By 1999, the Canadians spent \$5.1 billion Canadian dollars (.83 percent of the Canadian gross domestic product (GDP), equivalent to about \$3.5 billion in United States (U.S.) dollars) on GIS benefits for the elderly (Battle 2001). In contrast, and with almost 10 times the number of elderly, the United States spent only \$3.9 billion U.S. (.031percent of GDP) on SSI for the

elderly in 1999 (U.S. Congress 2000; Smeeding 2001a).

Options for the United States

What can the United States learn from its own experience, and the experience of other advanced international countries, about how to develop politically viable strategies for reducing poverty among the elderly? As we have seen, every nation must pick a set of strategies that fit their own needs, customs, and values. No two retirement systems are exactly the same in any two countries.

One possible strategy is to use payroll-tax-financed earnings related programs like OASI. However, international experience suggests that contributory earnings related pensions alone are unlikely to provide those with a history of low labor market earnings with an adequate pension, unless (1) replacement rates are extremely high, as they are in Germany and Sweden, or (2) the benefit formula is massively redistributive (Steuerle 2001). A significant increase in replacement rates is not on the political agenda, because it would require large increases in payroll taxes. And while the Social Security benefit formula in the United States already has substantial redistribution built into increasing its effectiveness at poverty reduction, it does leave many people, notably very elderly widows of low-wage earners and older divorcees, in poverty.

There are political and financial limits to redistribution within a mature contributions-financed, earnings-related pension program. Building in too much redistribution is likely to lead to exit by upper-income contributors, where it is permitted (as with the State Second Pension in the United Kingdom), or to declining political support for the pension system among high-earners where exit is not allowed. This same influence has led to the addition of a “third” tier pension that is strictly income-related in Sweden, and to an increasingly larger role for nearly

universal occupational pensions in other Northern European nations such as The Netherlands and Germany. Finally, imposing an increased redistributive burden on Social Security would further undermine the financing of a program already facing a long-term funding deficit.

A second option for lowering elder poverty rates is to add a quasi-universal flat-rate benefit within our current pension system, like Canada's Old Age Security program, The Canadian Pension Plan. This approach can be very helpful in providing a minimum below which no members of society are allowed to fall. However, this approach is also very expensive if the universal tier is set at a relatively higher level rather than targeting resources on the poor (Choudhury et al. 2001; D.A. Weaver, 2001). Given current concerns about Social Security's future financial vulnerability, it is a political non-starter.

A third option is to use an expanded system of individual retirement accounts to build up the retirement income-designated assets of the elderly. This approach also faces severe obstacles, notably the finite ability of many low-earners to save for retirement (or any other purpose).⁴ And, as the United Kingdom experience shows, low-earners are likely to face particular problems of access to low-cost funds that do not eat up a substantial chunk of their meager contributions. To be successful, an asset-building approach must be mandatory and would require substantial matching by government of individual contributions by low-earners, and substantial regulation of fund charges as well (e.g., see Schieber and Shoven 1999). Finally, even if successful, such a program would be only a very long-term solution, not one for the short or medium term. Over the next few decades, asset-building approaches are therefore likely to offer, at best, modest help at reducing poverty among the elderly.

Critical Features of A Targeted Income Maintenance Program

A final option is to use income-tested or means-tested programs that are better targeted in conjunction with Social Security. While these programs have in common the fact that they

exclude better-off residents, there are a number of dimensions on which these programs vary. As suggested earlier, four attributes of income-tested or means-tested pension programs are especially relevant to their effectiveness at poverty reduction among seniors. First are the program's *eligibility requirements*, which may include income asset, residency, work history, and citizenship tests. As shown in Table 5, countries vary widely in their income and asset tests.

Means-testing requires liquid asset eligibility limits as well as income limits. There is widespread evidence that liquid asset tests in the United States reduce savings (Hubbard, Skinner, and Zeldes 1995; Powers 1998; Neumark and Powers 1998). The United States SSI program has the most stringent asset test of any country shown here. The Canadians have no asset test and hence only an income tested program. The United Kingdom and Australia have very generous asset limits.

A second critical feature of a targeted program is its *benefit levels and income exclusions (set-asides and phase-outs)*. Higher benefit levels obviously lead to greater expenditures but less poverty. A more generous phase-out range for example, allowing individuals to exclude half of all earnings or income from savings, also leads to higher expenditure levels because the program reaches a broader clientele higher in the income distribution. However, it also may provide added incentives for low-income workers to save, if only modestly, for retirement, and for seniors with low earnings histories to continue working at least part-time in order to improve their living standards. Similar incentives may be created by excluding or "setting aside" some fixed amount of other retirement income. For instance, the SSI program allows eligible beneficiaries to "set aside" up to \$20 per month (\$240 per year) of other retirement income, like OASI.

The current SSI program in 1999, in combination with Food Stamps and very minimal Social Security benefits, would lift a single person with no other income to only 85 percent of the (very low) United States poverty standard, while a couple would be lifted to 101.8 percent of that

standard.⁵ SSI counts all unearned income (for example, Social Security benefits and interest on savings and dividend income) at a 100 percent marginal tax rate over and above the \$20 per month income exclusion, while earned income is subject to a 50 percent tax rate, with additional exclusions for work expenses. To the extent that those eligible for income-tested programs affect older persons (e.g., ages 75 and over), the effects of income exclusions on current savings or on work effort are minimal.

Take-up—the percentage of those who are eligible who actually get benefits—is a third critical aspect of safety-net pension programs. Take-up in turn is affected by (1) the stigma attached to the program; (2) the accessibility of the program, including ease of application and re-application; and (3) whether or not government mounts strong outreach efforts to ensure that all eligible persons enroll; and (4) the level of benefits expected once eligibility is ascertained (McGarry 2000). The fact that less than 55 percent of the pre-transfer elderly poor received SSI benefits in 1996 suggests that low take-up may indeed be a problem (U.S. Congress 2000). And in fact, only 60 to 67 percent of the eligible elderly apply for SSI, compared to 90 percent or more for the Canadian system (Table 5). There are also serious problems of Food Stamp take-up among the eligible elderly even though elder SSI recipients have an option to convert Food Stamps to cash in order to avoid stigma.

A fourth important aspect of safety-net pension programs is whether they provide an *automatic passport* to other benefits, such as reduced cost medical care or pharmaceutical coverage and housing benefits. Passporting may provide additional incentives to qualify for, and then to take up, safety net pension benefits even if asset tests are severe and bureaucratic barriers are high. On the other hand, strong passporting effects may also make governments reluctant to expand eligibility for a safety net pension program because they fear that doing so would lead to runaway program costs. The link between SSI for the aged and Medicaid benefits is especially

important in this regard.

Political Limitations of the SSI Program

International experience suggests that means-tested pensions such as the Supplemental Security Income program in the United States are unlikely to provide an effective poverty reduction vehicle unless they combine (1) an adequate level of benefits for low-earners, with (2) fairly lenient asset and earnings tests, and (3) simple and non-stigmatizing procedures for initial take-up and reapplication. SSI clearly has failed to serve as an adequate poverty reduction vehicle for the elderly in the United States on all three counts: benefits are low, few of the elderly eligible sign up for it (because of its extraordinarily strict income and asset limits), and many of those who are eligible refuse to take it up (See Figures 2 and 3 and Table 5). Moreover, the fraction of the elderly receiving SSI has declined steadily since 1974 as its asset test and low benefit levels increasingly discourage participants (Smeeding 1994; 2001a). Understanding why SSI has been so unsuccessful in reducing poverty among seniors requires taking into account not just the program's current structure, but also its politics. The question we must ask is, why SSI has not been expanded over its almost 30 years of existence to be a more effective poverty reduction vehicle, as Social Security was? The SSI program has several political problems that limit its capacity to reduce poverty among the elderly. First, the elderly are widely perceived to be a relatively privileged group, that receives relatively too many government benefits, in comparison to other groups such as children. But this problem is partly counterbalanced by the fact that the poor, and especially low-income widows, are viewed favorably, and sympathetically, by the public.

Second, in the SSI program the elderly the disabled (adults and children), and the blind are all under the same rules for benefits, eligibility determination, and other program parameters (Smeeding 2001a). SSI for the disabled, in particular, is widely perceived to be plagued by rapid

growth and vulnerable to fraud (Daly and Burkhauser 2001). While the elderly poor are widely perceived as “automatically” deserving of assistance, the same is less true of the disabled. If SSI were expanded to create a higher benefit floor for working-age disabled pension, it would likely be criticized as creating an additional lure to disability fraud. Moreover, the recent rise and then curtailment of SSI for disabled children has led to greater scrutiny of adult eligibility as well (Powers 2001; Daly and Burkhauser 2001).

Third, about 40 percent of elderly recipients of SSI are immigrants (U.S. Congress 2000; Smeeding 2001a), including many who came to the United States relatively late in life. The politics of immigrant access to means-tested benefits are complicated. The Republican majority in Congress made major cuts in benefits to non-citizens as part of the 1996 welfare reform bill, reasoning that benefits to this clientele could be cut without incurring political costs, because by definition they could not vote. This political calculation turned out to be a bad one, because (1) many non-citizens who were cut off were eligible to become citizens, and (2) many others were related to citizen/voters. Many of those benefits were restored in 1997. Nevertheless, a significant expansion of benefits to the elderly would be more difficult politically if a high portion of its benefits went to recent-arriving non-citizens whom some politicians might perceive as undeserving because they had not contributed to United States society in their working years.

Fourth, and perhaps most important, using an expansion of SSI eligibility and benefits as a vehicle to reduce senior poverty is hampered by the fact that SSI carries with it an automatic “passport” to Medicaid eligibility. The ratio of elderly SSI recipients to OASI recipients is only 3.8 percent, while the ratio of Guaranteed Income Supplement (Canada) and Minimum Income Guarantee (United Kingdom) recipients to recipients of their basic state pensions is roughly ten times as high (Table 5). Thus, a substantial expansion of SSI eligibility to elderly persons with low lifetime earnings, including the automatic passport to Medicaid, would have substantial cost

implications both for the federal government and the states. The chances that Congress would adopt a substantial expansion of SSI with a Medicaid passport are thus extremely remote, and almost equally low for breaking the SSI-Medicaid linkage.

The implication of this analysis is that SSI is probably at or near its political and financial limits as a vehicle to further reduce poverty among the elderly, unless or until it breaks its links with the disabled and with the Medicaid program. SSI should continue to play a valuable role as the ultimate backstop for the destitute (and frequently disabled) elderly, especially those in need of nursing home care or other Medicaid-financed care, but its expansion may not be the best way to create a substantial reduction in elder income poverty. In fact, a new program that draws seniors from SSI to a more generous income benefit could be partially funded by a reduction in SSI benefits for the aged.

A Senior Income Guarantee

If neither SSI nor OASI has great potential for further reducing poverty among the elderly, what is to be done? The experience of Canada (and to a lesser extent the United Kingdom) suggests that the best approach to increasing benefit generosity and reducing poverty among the elderly may be to establish a new tier of benefits, with benefits and eligibility standards much less strict than they are today, and without an automatic passport to Medicaid benefits. As suggested above, this new tier of benefits would not completely supplant the SSI program but would operate alongside it, with a larger elderly clientele than the current SSI program, and as a new tier in United States retirement income policy. To simplify administration, however, eligibility requirements for the new SIG could be coordinated with SSI requirements so that an SIG recipient could qualify for Medicaid if they also met more stringent SSI income

needs and asset standards.

This new United States Senior Income Guarantee (SIG) program would have the following attributes:

Eligibility and Benefits: As noted above, eligibility standards (including asset and income tests, and phase-out ranges) have a major impact on both the cost of a program and its effectiveness in reducing poverty. The SIG would be payable at the Social Security normal retirement age, which is currently undergoing a gradual increase from 65 to 67. Recent simulations of SSI benefit eligibility indicate that it is relatively inexpensive to entirely remove the liquid asset test for SSI eligibility because most low-income elderly persons are also low asset (Davies et al. 2000, 2001; Rupp, Strand, and Davies 2001). Eliminating asset limits entirely, however, as Canada does with its Guaranteed Income Supplement, is probably not politically viable. A middle ground would be to have more generous assets tests for the SIG, perhaps \$20,000 in liquid assets for an individual and \$30,000 for a couple, indexed for inflation in future years.

The SIG should offer a minimum benefit guarantee of 75 percent of the poverty line (about \$550 for a single elderly person in 2002) and have a general income exclusion, or set-aside, of \$200 per month for all other income sources: earnings, pensions, property income, and especially Social Security or OASI. Because almost every SIG beneficiary would have at least \$200 in OASI, the combination of SIG plus OASI would therefore remove every single older woman (or man) eligible for OASI from the poverty rolls.⁶ A full minimum guarantee should be available only to those who have spent at least 40 years as residents of the United States since age 18 and have 40 quarters of payroll tax coverage (to be OASI eligible). For those who have not lived here that long, the income guarantee amount would be pro-rated based on the percentage of the 40 years that they have lived in the United States.

Take-up: SIG payments would be combined with the OASI benefit checks in a single monthly payment. Eligibility redetermination would generally be automatic and assessed annually through the income tax return system. Except in unusual circumstances, when a person's income changes sharply, benefit amounts will be adjusted automatically based on the immediately previous year's income tax returns. Simple (EZ-1040-A) income tax forms would have to be filed by all elderly, with key information on other income sources and liquid asset levels sent from IRS to SSA automatically. In effect, the SIG check would simply "top up" the OASI check to the poverty level (with adjustments for other sources of income). We expect that the income tax form qualification process will raise SIG participation to 90 percent or above, based on the Canadian experience (Table 5).

Passporting: There would be no automatic passport from the SIG to Medicaid as there is with SSI, but persons who are otherwise eligible for Medicaid (that is, who meet SSI asset tests) should not be barred from receiving Medicaid because they receive a SIG benefit that puts them above SSI income limits. Separate Medicaid eligibility determination on a medical needs basis would be expected, as is the case today for most elder Medicaid recipients. Low-income elders would still receive the Qualified Medicaid Beneficiary (QMB) benefit, which pays the premium and deductibles for Medicare, hospital, and doctor care from state Medicaid funds, but full Medicaid qualification would require a separate application (U.S. Congress 2000). Food Stamps would operate in the same way, totally independent of SIG. To the extent that higher SIG benefits reduced Food Stamp or SSI outlays, the SIG would be, on net, a less expensive program.

Funding: SIG would be general revenue financed by Social Security. This relieves any SIG-induced pressure on the Social Security Trust Fund balance, and it does not raise payroll tax contributions to fund a program targeted only to the otherwise poor. Just as Medicare Part B is in part general revenue financed, SIG would rely on general revenues to top up benefits paid from

the OASI trust fund to poverty line income levels. Moreover, as more elderly women and low-earners accrue more complete lifetime work histories, or as privatized benefits are added in as a source of unearned income, SIG outlays and participants will fall, as have GIS outlays in Canada (Myles 2000).

Cost: The budgetary cost of SIG is difficult to estimate for many reasons. Participation rates (e.g., filing of income tax forms) would be difficult to estimate without experience with a system like the one proposed here. Recent SSI simulations suggest that an increase of the unearned income exclusion from \$20 to \$80 might raise benefit outlays by about \$3.0 billion (Rupp, Strand, and Davies 2001). Other recent simulations of a similar increase in exclusions (\$20 to \$125) suggest a 43 percent increase in the number of eligibles for SSI using administrative data, and other data sets and higher participation rates means higher outlays (Rupp, Strand, and Davies 2001; Anzick and Weaver 2001; Davies 2001). In contrast, eliminating the SSI asset test while maintaining the current income limits (and benefit reduction rates on unearned income) would cost less than \$2.0 billion (Rupp, Strand, and Davies 2001; Davies 2001).

The actual cost of instituting the SIG benefit would therefore be roughly \$12.0 to \$14.0 billion, bases on the 75 percent of poverty guarantee with a \$200 unearned income exclusion. Factoring in an estimated annual savings of about \$2.0 billion in SSI and Food Stamps, the net cost should be in the \$10.0 to \$12.0 billion per year range. And if these costs are deemed too high, we could begin by phasing in SIG at still older ages (e.g., age 70).⁷

Conclusion

A new Senior Income Guarantee tier in the United States retirement income system could dramatically lower poverty among United States seniors in a way that is affordable and politically viable. Although adding a new tier of benefits further complicates the panoply of United States policies toward the aged, that fact has political virtues as well—it gives politicians the opportunity to claim credit for creating a new program that will reduce poverty among a politically popular clientele at a relatively low cost. Moreover, to the extent that other OASI reforms are successful in raising OASI benefits and other pension incomes, the cost of the SIG program should be small and decline over time. If many of the risks that critics of privatization have identified with private markets and investments do materialize, adding the Senior Income Guarantee to the policy portfolio will partially offset these risks at a reasonable cost. Thus, as a social tradeoff for assumption of greater risk of higher old age incomes from privatization, a SIG program offers the promise of an effective safety net for all low-income elders.

Endnotes

1. Almost all examples given in this paper are for single elderly persons (or for only those single elders living alone). More than 80 percent of the elder poor are unmarried, and the vast majority of these are women (U.S. Bureau of the Census 2001). The benefits for a married couple in our plan would be 50 percent higher than those for a single person. We expect that few couples would benefit from our plan and therefore we concentrate on single persons throughout the paper.
2. The poverty rates are for households—not for persons. Household poverty rates for the elderly tend to be higher than person poverty rates because of larger numbers of single women households. The 40 percent poverty line calculations are not shown here because they are very similar to those at the 50 percent standard.
3. Moreover, this minimum benefit is relatively target-ineffective because it applies only to those with long histories of covered earnings and because it is not income-tested in any meaningful way (see D.A. Weaver 2001; Choudhury et al. 2001).
4. More than 10 percent of Americans have no formal bank account (Stegman 2001). This includes 25 percent African Americans and a higher fraction for Hispanics. Management of individual accounts for these persons would require a massive campaign to acquaint them with financial services and equity investments.
5. The discrepancy between singles and couples arises because SSI benefits alone are 75 percent of the poverty line for an individual and 89.3 percent for a couple (U.S. Congress 2000).
6. Adopting a percentage phase-out instead of the flat income exclusion would be much more costly, however, because eligibility would be extended up to levels of 150 percent of the poverty line where the fraction of single elders who would qualify is very high.
7. These estimates do not account for any of the possible behavioral consequences of the program, with the exception of higher participation rates. Asset spenddown (to the \$20,000 level) or changes in other types of asset or income transfer behavior should, however, be minimal.

References

- Anzick, M.A., and D.A. Weaver. 2001. "Reducing Poverty Among Elderly Women." ORES Working Paper Series Number 87. Washington, DC: Social Security Administration.
- Battle, K. 2001. "Private Computer Note." April 20.
- Battle, K. 1997. "A New Old Age Pension." In Kalman Banting and R. Boadway (eds.), *Reform of Retirement Income Policy*, School of Policy Studies. Kingston, Ontario, Canada: Queens University, pp. 135-89.
- Burkhauser, R.V., and T.M. Smeeding. 1994. "Social Security Reform: A Budget Neutral Approach to Reducing Older Women's Disproportionate Risk of Poverty." Center for Policy Research, Policy Brief No. 2. Syracuse, NY: Syracuse University. <http://www-cpr.maxwell.syr.edu/pbriefs/pb2.pdf>.
- Burkhauser, R.V., T.M. Smeeding, and J. Merz. 1996. "Relative Inequality and Poverty in Germany and the United States Using Alternative Equivalence Scales." *The Review of Income and Wealth* 42(2) (December): 381-400.
- Choudhury, C., M.V. Leonesio, K.R. Utendorf, L. Del Bene, and R.V. Gesumaria. 2001. "Analysis of Social Security Proposals Intended to Help Women: Preliminary Result." ORES Working Paper Series Number 88. Washington, DC: Social Security Administration, Office of Research, Evaluation, and Statistics. January.
- Citro, C.F., and R. Michael. 1995. *Measuring Poverty: A New Approach*. Washington, DC: National Academy Press.
- Daly, M., and R.V. Burkhauser. 2001. "The Supplemental Security Income Program." Mimeo. National Bureau of Economic Research. Cambridge, MA.
- Davies, P.S. 2001. "SSI Eligibility and Participation Among the Oldest Old: Evidence from the AHEAD." Social Security Administration, Office of Research, Evaluation and Statistics, Washington, D.C. February.
- Davies, P.S., M. Huynh, C. Newcomb, P.K. O'Leary, K. Rupp, and J. Sears. 2000. "Modeling SSI Financial Eligibility and Simulation the Effect of Policy Options." Paper presented at the Annual Meeting of the Southern Economic Association, Washington, DC, November.
- Davies, P., K. Rupp, and A. Strand. 2001. "The Potential of the Supplemental Security Income Program to Reduce Poverty Among the Elderly." Social Security Administration, Office of Research, Evaluation, and Statistics. Washington, DC. June.
- Gruber, J., and D. Wise. 2001. "An International Perspective in Policies for an Aging Society." NBER Working Paper No. 8103. Cambridge, MA: National Bureau of Economic Research, January.

- Hubbard, R.G., J. Skinner, and S.P. Zeldes. 1995. "Precautionary Savings and Social Insurance." *Journal of Political Economy* 103(2) (April): 360-399.
- McGarry, K. 2000. "Guaranteed Income: SSI and the Well-Being of the Elderly Poor." NBER Working Paper No. 7574. Cambridge, MA: National Bureau of Economic Research. March.
- Myles, J. 2000. "The Maturation of Canada's Retirement Income System: Income Levels, Income Inequality and Low Income Among Older Persons." *Canadian Journal on Aging* 19 (2).
- Neumark, D., and Powers, E. 1998. "The Effects of Means-Tested Income Support for the Elderly on Pre-Retirement Savings: Evidence from the SSI Program in the U.S." *Journal of Public Economics* 68(2): 181-206.
- Powers, E. 2001. "New Estimates of the Impact of Child Disability on Maternal Employment." Working Paper No. 90. Institute of Government and Public Affairs. Urban Champagne, IL: University of Illinois.
- Powers, E. 1998. "Does Means-Tested Discourage Savings? Evidence from a Change in AFDC Policy in the United States." *Journal of Public Economics* 68(1): 33-53.
- Rupp, K., A. Strand, and P.S. Davies. 2001. "Poverty Among Elderly Women: Assessing Alternatives for SSI Reform." Social Security Administration, Office of the Secretary, Washington, D.C. June.
- Schieber, S.J., and J.B. Shoven. 1999. *The Real Deal: The History and Future of Social Security*. New Haven, CT: Yale University Press.
- Smeeding, T.M. 2001a. "SSI: Time for a Change?" Mimeo. Center for Policy Research, Maxwell School. Syracuse, NY: Syracuse University. October.
- Smeeding, T.M. 2001. "Income Maintenance in Old Age: What Can be Learned from Cross-National Comparisons." Prepared for the Third Annual Joint Conference for the Retirement Research Consortium "Making Hard Choices About Retirement." Washington, DC: May 17-18.
- Smeeding, T.M. 1999. "Social Security Reform: Improving Benefit Adequacy and Economic Security for Women." Center for Policy Research Policy Brief Series #16, The Maxwell School. Syracuse, NY: Syracuse University. November.
- Smeeding, T.M. 1994. "Improving Supplemental Security Income." In R. Friedland, L. Etheredge and B. Vladeck (eds.), *Social Welfare Policy at the Crossroads*. Washington, DC: National Academy of Social Insurance pp. 97-108.
- Smeeding, T.M., C.L. Estes, and L. Glasse. 1999. "Social Security Reform and Older Women: Improving the System." Income Security Policy Series Paper 22. Center for Policy

- Research. Syracuse, NY: Syracuse University. June. <http://www-cpr.maxwell.syr.edu/incomsec/pdf/inc22.pdf>.
- Smeeding, T.M., and J.P. Smith. 1998. "The Economic Status of the Elderly on the Eve of Social Security Reform." Washington, DC: Progressive Policy Institute. November.
- Stegman, M.A. 2001. "Banking the Unbanked: Untapped Market Opportunities for North Carolina's Financial Institutions." *North Carolina Banking Institute Journal*, Chapel Hill, NC: University of North Carolina School of Law.
- Steuerle, C.E. 2001. "Social Security: The Broader Issues." Urban Institute Working Paper Series. Washington, DC: The Urban Institute. September.
- Weaver, D.A. 2001. "The Widow(er)'s Limit Provision of Social Security." ORES Working Paper Number 92. Washington, DC: Social Security Administration, Office of Research, Evaluation, and Statistics. June.
- Weaver, R.K. 2001a. "Reforming Social Security, Lessons from Abroad." Washington, D.C.: Brookings Press. Forthcoming.
- Weaver, R.K. 2001. Testimony before the Commission to Strengthen Social Security. San Diego, California. September.
- U.S. Bureau of Census. 2001. *Poverty in the Untied States: 2000*. CPR 60-214, Table 2, Figure 3, pp.2-5.
- U.S. Congress. 2000. "The Green Book: Programs and Benefits under the Administration of the Committee on Ways and Means." U.S. House of Representatives. Washington, DC: Government Printing Office.

Table 1. Elder Poverty: A Snapshot for 2000
 (Percent of Each Type of Person Below the Given Income Level, Adjusted for Family Size)

Category	Official Poverty Line	125 Percent Poverty Line	150 Percent Poverty Line
A. Overall and Females			
Overall Population	11.3	15.8	20.2
All Older Persons Aged 65+	10.2	16.9	24.3
(All Older Persons Aged 65-74)	(8.9)	(14.2)	(20.1)
(All Older Persons Aged 75+)	(11.7)	(20.2)	(29.2)
Older Females Overall	12.6	17.4	22.2
All Older Females Aged 65+	12.2	20.4	28.7
(All Older Females Aged 65-74)	(10.5)	(16.7)	(23.4)
(All Older Females Aged 75+)	(14.0)	(24.3)	(34.5)
Older Females Living Alone (65+)	21.3	34.7	47.3
B. Racial Differences			
White Females Aged 65+	10.8	18.8	27.1
(White Females Aged 65+, Living Alone)	(18.9)	(32.5)	(48.3)
Black Females Aged 65+	25.8	35.0	45.1
(Black Females Aged 65+, Living Alone)	(43.0)	(54.4)	(65.8)
Hispanic Females Aged 65+	19.6	32.7	42.9
(Hispanic Females Aged 65+, Living Alone)	(37.7)	(58.5)	(69.2)

Source: U.S. Bureau of the Census 2001. Poverty in the United States: 2000, CPR 60-214, and http://ferret.bls.census.gov/macro/032001/pov/new02_001.htm (accessed 30 October 2001).

Table 2. Poverty¹ Rates among the Aged²: Being Old and Being Female
(Percent of Population with Incomes Less Than Given Percent of Adjusted
National Median Disposable Income)

Country	Year	40%	50%
A. Elderly			
United States	1997	12.0	20.7
Australia	1994	12.4	29.4
United Kingdom	1995	4.0	13.7
Germany (West)	1994	4.0	7.0
France	1994	3.4	9.8
Netherlands	1994	3.3	6.4
Canada	1997	1.4	5.3
Sweden	1995	0.8	2.7
Average		5.2	11.9
B. Elderly Women (65+)			
United States	1997	14.8	25.0
Australia	1994	12.2	33.9
United Kingdom	1995	5.3	16.1
Germany (West)	1994	5.7	10.4
France	1994	4.0	11.2
Netherlands	1994	3.6	7.1
Canada	1997	1.2	6.6
Sweden	1995	0.9	3.2
Average		6.0	14.2
C. Elderly Women (65+) Living Alone			
United States	1997	25.5	40.8
Australia	1994	15.2	62.3
United Kingdom	1995	9.7	23.7
Germany (West)	1994	10.1	16.0
France	1994	6.3	17.3
Netherlands	1994	3.0	6.0
Canada	1997	1.7	12.7
Sweden	1995	1.3	5.0
Average		9.1	23.0
D. Elderly Women (75+) Living Alone			
United States	1997	25.8	41.9
Australia	1994	19.7	68.7
United Kingdom	1995	8.6	25.7
Germany (West)	1994	10.6	17.5
France	1994	7.3	21.0
Netherlands	1994	2.8	7.2
Canada	1997	0.9	12.4
Sweden	1995	1.5	5.8
Average		9.7	25.0

Source: Luxembourg Income Study and Smeeding (2001).

Notes: ¹Poverty is defined as percentage of elderly living in households with adjusted disposable income less than given percent of median adjusted disposable income for all persons. Incomes are adjusted by $E=.05$ where adjusted DPI=actual DPI divided by household size (S) to the power E: Adjusted DPI=DPI/S^E.

²Aged are all persons at least aged 65 and older. Person level and household level files were matched and income data weighted by the person sample weight from the person level file.

Table 3. Elderly Poverty Rates by Income Maintenance Source¹ and Income Definition at 50 Percent Needs Standard

A. Poverty Rates for All Elders Household by Income Definition

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	Market	Col. A +	Col. B +	Col. C +	Role of Income		Total
	Income	Occupational	Universal	Social	Maintenance:		System
	(MI)	Pensions	and Social	Safety Net	Social	Safety	Effect
			Retirement	Transfers ³	Insurance	Net	
			Transfers		B to C	C to D	Cols. E+F
Australia ²	79.5	73.0	72.7	32.8	0.3	39.9	42.2
Canada	78.9	61.6	12.4	6.1	49.2	6.3	55.3
France	87.9	87.5	11.9	10.5	75.6	1.4	77.0
Germany	88.1	77.8	9.7	8.7	68.1	1.0	69.8
Netherlands	88.7	67.2	7.4	4.9	59.8	2.5	62.3
Sweden	91.9	81.3	3.0	2.8	78.3	0.2	78.5
United Kingdom	83.3	65.5	29.3	17.4	36.2	11.9	48.2
United States	73.8	60.2	23.5	22.7	36.7	0.8	37.5

B. Poverty Rates for Female Headed Households by Income Definition

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	Market	Col. A +	Col. B +	Col. C +	Role of Income		Total
	Income	Occupational	Universal	Social	Maintenance:		System
	(MI)	Pensions	and Social	Safety Net	Social	Safety	Effect
			Retirement	Transfers ³	Insurance	Net	
			Transfers		B to C	C to D	Cols. E+F
Australia ²	94.8	90.9	90.5	37.2	0.4	53.3	53.7
Canada	94	85.4	24.8	14.6	60.6	10.2	70.8
France	94.7	94.1	22.5	18.2	71.6	4.3	75.9
Germany	94.9	85.8	17.6	15.9	68.2	1.7	60.9
Netherlands	95.7	77.9	6.2	3.8	71.7	2.4	74.1
Sweden	97.5	92.1	6	5.3	86.1	0.7	86.8
United Kingdom	94.7	84.2	54.9	29	29.3	25.9	55.2
United States	87.9	78.5	43.3	43.1	35.2	0.2	35.4

Source: Luxembourg Income Study and Smeeding (2001).

Notes: ¹Poverty measured as percent of households with incomes below 50 percent of median adjusted household disposable income, where $E=.5$ and $ADI=DI/S^E$.

²Australia has no social insurance based on retirement system for the elderly.

³Column D presents disposable income household poverty rates; Social Safety Net also includes the effects of direct taxes on poverty.

Table 4. Public Spending on Tiers of Pension Systems
(percent of total spending/revenues foregone)

	<u>United States</u>	<u>Canada</u>
Means-tested or Income-tested Tier	1.3	8.8
Universal Tier		29.9
Public, Contributory, Earnings-related Tier	68.6	33.7
Tax Treatment of Non-compulsory Occupational Pensions	20.1	11.5
Tax Treatment of Voluntary Retirement Savings	5.2	12.9
Miscellaneous Tax Credits and Deductions	4.8	3.2
Total Fiscal Effort	100.0	100.0

Source: R.K. Weaver 2001a.

Table 5. Pension Minimum Guarantee Programs in Selected OECD Countries
(all currency amounts are in local currencies)

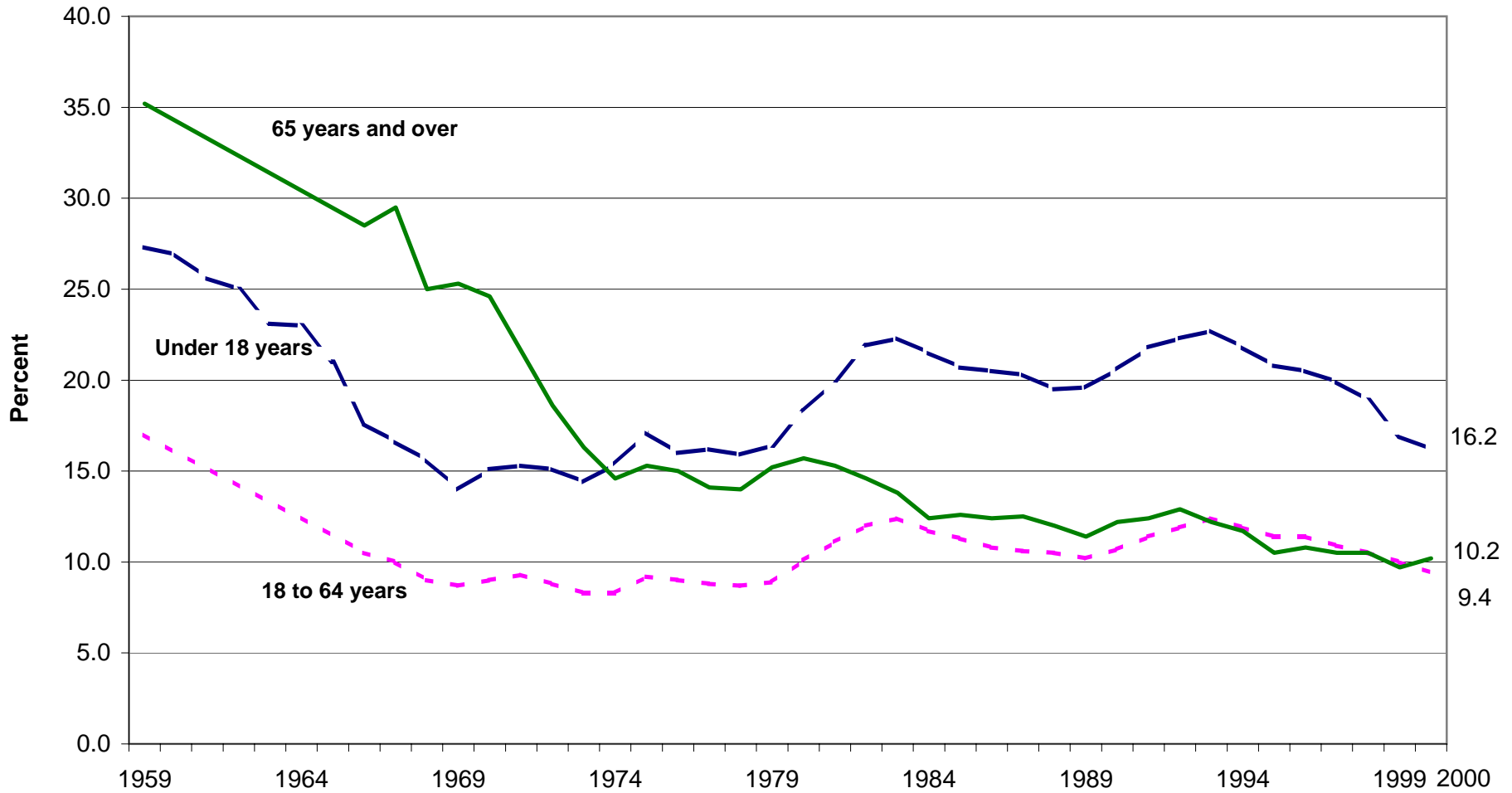
<u>Country and Program</u>	<u>Maximum Monthly Benefit</u>	<u>Income Eligibility Phaseout and Limits</u>	<u>Asset Eligibility Limits</u>	<u>Total Percentage of Elderly Receiving Participation Rates</u>	<u>Fraction of Eligible Who Participate</u>	<u>Gateway to Other Benefits</u>	<u>Reapplication/ Continuing Eligibility Requirements</u>
United States - Supplemental Security Income	\$530/month single and \$796/month couple	Below \$530/month single and \$796/month couple	Home equity plus car and \$2,000 single or \$3,000 couple	3.8 percent of aged OASI recipients	60-67 ¹	Automatic passport to Medicaid benefits, food stamps	Continual reapplication process
Canada - Guaranteed Income Supplement	\$433.52 Old Age Security plus \$358.32 GIS single; \$867.04 OAS plus \$671.08 couple	\$12,384 single; \$16,128 couple	No asset limits	c. 38 percent of OAS recipients	90-95 ²		Generally automatic by filing income tax return
Australia - Age Pension	\$873.35 single, \$1,457.75 couple	Up to \$230.30 in income for single and \$408.45 for couples per month for maximum benefit; up to \$2,445.26 single and \$4,084.49 for couples for part pension.	Homeowners: Up to \$133,250 for single pensioners and \$189,500 couples for full pension; \$269,250 single and \$415,500 couples for part pension. Non-Homeowners: Up to \$228,750 for single pensioners and \$285,000 couples for full pension; \$364,750 single and \$557,000 couples for part ⁷ pension	c. 75 percent of elderly	75 ¹	May provide gateway to rent assistance, concession cards, telephone allowance, and various state benefits	One-time qualification
United Kingdom - Minimum Income Guarantee	£92.15 per week single, £140.55 per week for couple	Less than £92.15 per week single, £140.55 per week for couple (will increase with Pension Credit)	Less than £12,000 in savings	c. 37 percent in 1999, c. 57 percent expected by 2003	na	Housing benefit and Council Tax Benefit	One-time qualification

Source: R.K. Weaver 2001a or as noted below.

Notes: ¹McGarry 2000; R. K. Weaver 2001a.

²Battle 1997; 2001.

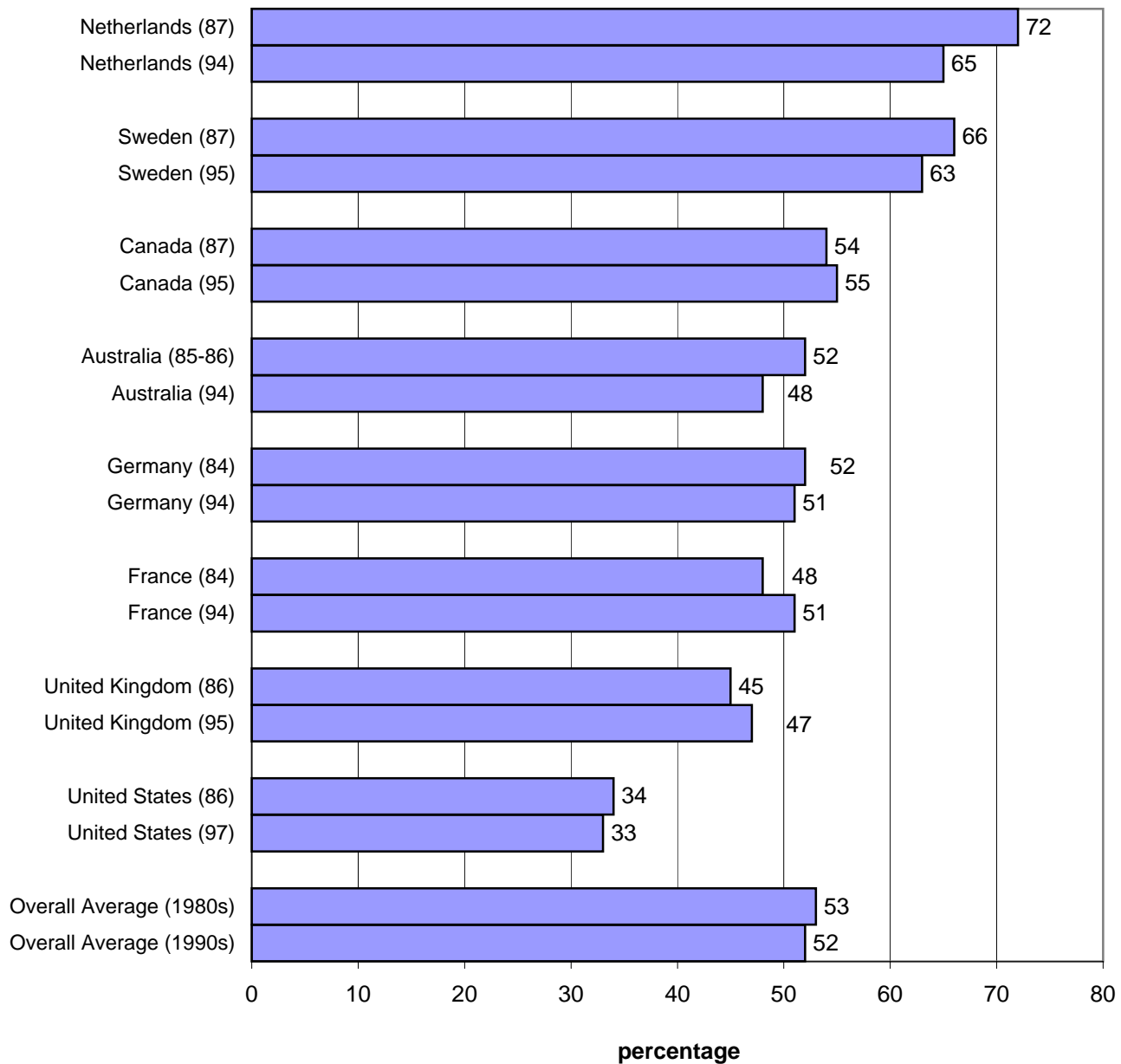
Figure 1.
Poverty Rates by Age: 1959 to 2000
 (percentage of each type of person who is poor)



Note: The data points represent the midpoints of the respective years. Data for people 18 to 64 and 65 and older are not available from 1960 to 1965.

Source: U.S. Bureau of the Census 2001. Poverty in the United States: 2000, CPR 60-214, Figure 2, pp. 4.

Figure 2. Generosity of the Safety Net: Minimum Old Age Benefit ^a as Percentage of Adjusted Median Income ^b for Single Persons in Eight Nations

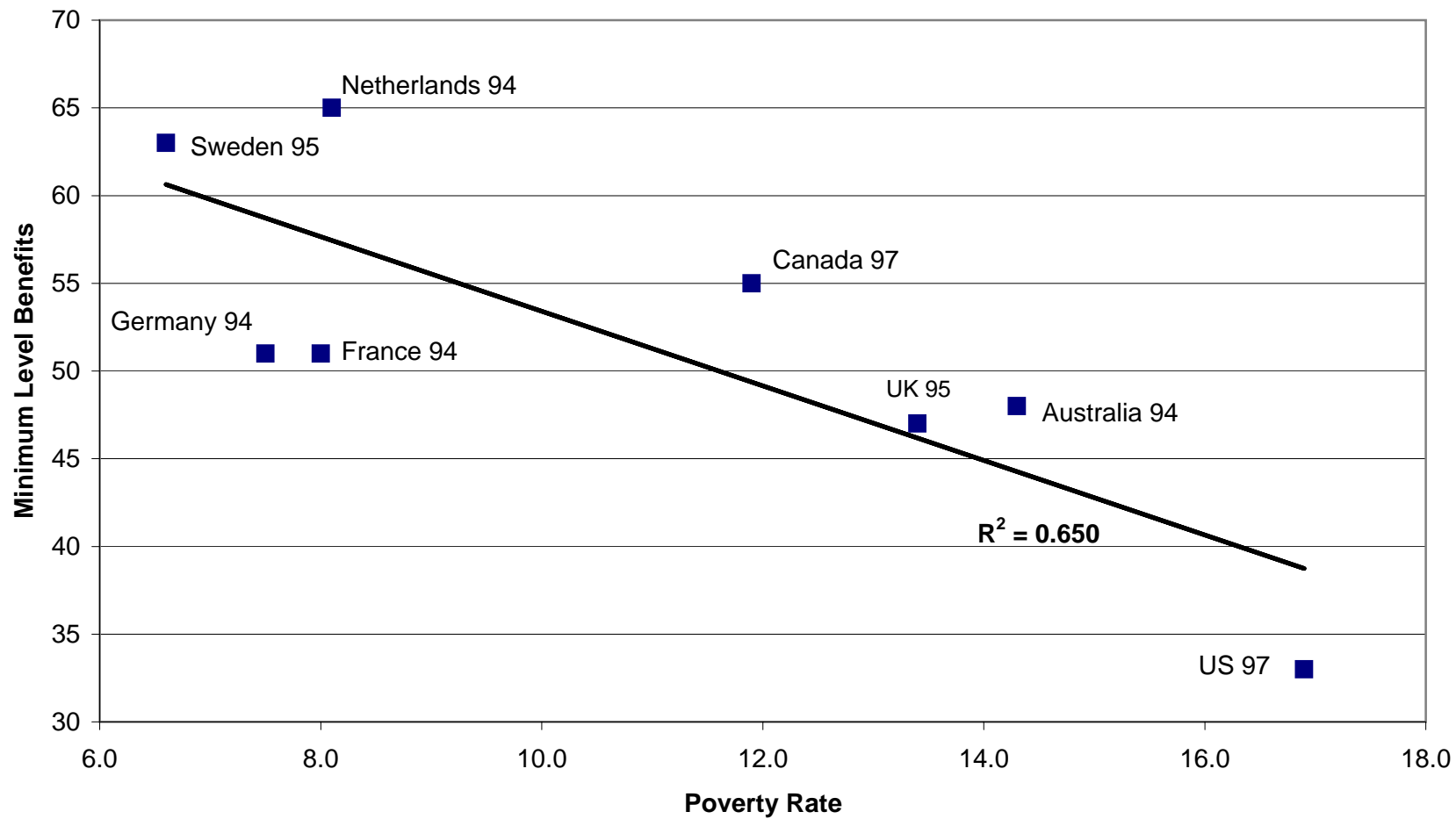


Source: Luxembourg Income Study, Burkhauser and Smeeding (1994); Smeeding (1998); U.S. Congress (2000); and authors' calculations.

^a Minimum benefits as published by the Organization for Economic Cooperation and Development (OECD) were compared with adjusted median income after adjusting for national price changes using LIS data for the first period. In the second period, updated data was obtained from OECD sources; U.S. Congress (2000), and compared to bunching of incomes for the elderly using LIS data on elderly and overall median incomes.

^b Income is adjusted using the simple equivalence scale that counts the first person as 1.0 and all other persons as 0.5 regardless of age. This is slightly different from the scale where the scale is calculated as S^E and $E=.5$. See Burkhauser, Smeeding and Merz (1996) for more on this topic. Elderly persons are 65 and over.

Figure 3. Elder Poverty (at 50% Median) and Safety Net Generosity in Eight Nations



Source: Smeeding 2001.