Income and Poverty
in the United States in 1995
A Chartbook
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A Chartbook

by

Ke Bin Wu

The Public Policy Institute, formed in 1985, is part of the Research Group of the American Association of Retired Persons. One of the missions of the Institute is to foster research and analysis on public policy issues of interest to older Americans. This paper represents part of that effort.

The views expressed herein are for information, debate and discussion, and do not necessarily represent formal policies of the Association.

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AARP, 601 E Street, N.W., Washington, DC 20049
Introduction

The distribution of income is a topic of central importance to the economic well-being of older Americans. The Census Bureau’s annual Current Population Survey (CPS) has for years provided the government’s official estimates of income and poverty among American families, households, and individuals. Over the years, the Public Policy Institute has regularly summarized the salient findings from the annual CPS pertaining to the income and poverty status of all Americans, but especially older Americans.

To respond to the frequent demand for short, concise data presentations, PPI’s annual summaries of the CPS have been intentionally brief and have omitted the kind of detail on income and poverty status that might be of interest to many consumers of income data. For that reason, we decided to prepare this chartbook on income and poverty with particular emphasis on older Americans. It provides greater detail on poverty and the distribution of income among older persons, families, and households in terms of demographic categories such as gender, marital status, and living arrangement.

Some of the data in the chartbook are derived from the Census Bureau’s publications *Money Income in the United States* and *Poverty in the United States* in the Current Population Reports P-60 series. In other cases the charts are based on original analyses of the Current Population Survey over the past 20 years. In all cases, the material was either prepared or created by Kebin Wu of the Public Policy Institute Economics Team. It is our hope that this chartbook can become an annual contribution to the Institute’s ongoing work on the economics of aging, and that we can add material that others would find useful, so that the book can serve as a resource for an even wider audience over time. Any suggestions that you might have about the content of the chartbook, or additions that you would find useful, should be addressed to Kebin Wu at (202) 434-3878.

The charts in this book present information on income and poverty in the United States in 1995. A particular focus of attention is the older population, i.e., those aged 65 and above. The data are from the U.S. Bureau of the Census’ March 1996 Current Population Survey. The survey consists of about 60,000 households in the United States for the calendar year 1995. The survey does not represent the institutionalized population or those under age 15.

“Income” is defined by the Census Bureau as *money income excluding capital gains and before taxes*.

The Census Bureau establishes “cutoffs” or thresholds to determine the poverty status of families and unrelated individuals. The thresholds differ depending on family size and age. The poverty threshold in 1995 was $7,309 for single
persons aged 65 and over and $7,929 for single persons under age 65. For couples, the threshold was $9,212 for households in which the householder was age 65 or over and $10,259 for those where the householder was under age 65.

The charts present median money income by household, family, and person. Unless otherwise noted, the definition of household, householder, and family are the same as the Census Bureau’s definitions:

**Household:** A household consists of all persons who occupy a housing unit. A house, an apartment, or other group of rooms or a single room is a housing unit. A household includes the related family members and all the unrelated persons. A person living alone in a housing unit or a group of unrelated persons sharing a housing unit as partners is also counted as a household.

**Householder:** A householder is person in whose name the home is owned or rented. One person in each household is designated as the householder. The number of householders, therefore, is equal to the number of households.

**Family:** A family refers to a group of two or more persons related by birth, marriage, or adoption who reside together; all such persons are considered as members of one family.
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Older Americans have lower income than younger Americans. The median income of persons aged 65 and over, and of families and households headed by a person aged 65 or older, is lower than for those under age 65.
Figure 1
Median Income of Persons, Households, and Families by Age in 1995

September 1996.

Prepared by AARP Public Policy Institute
Median household income rises and falls over the life cycle, increasing steadily until middle age, and then declining steadily.
Figure 2
Median Household Income by Age of Householder in 1995

September 1996.

Prepared by AARP
Public Policy Institute
Median household income varies by age and living arrangement. Younger married couples have the highest median household income, followed by younger single men and male single-parent households.
Figure 3

Median Household Income by Age and Living Arrangement in 1995


Prepared by AARP Public Policy Institute
Older households are more likely to have lower incomes, and younger households have higher incomes. In 1995, 60 percent of older households had incomes below $25,000, while 70 percent of younger households had incomes above $25,000.
Figure 4
Percentage of Households in Income Class by Age in 1995

Among older families, median income declines steadily with age for families headed by both men and women.
Figure 5

Median Family Income by Age of Family Head* and Gender for the Older Population in 1995

*Individuals who live alone or unrelated persons are classified as families of one.


Prepared by AARP Public Policy Institute
Among older individuals, median income declines steadily with age for men, but remains virtually unchanged for women.
Figure 6
Median Income by Age and Gender for Older Persons in 1995

Medan Income

<table>
<thead>
<tr>
<th>Age</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>65 to 69</td>
<td>$18,972</td>
<td>$8,963</td>
</tr>
<tr>
<td>70 to 74</td>
<td>$17,275</td>
<td>$8,953</td>
</tr>
<tr>
<td>75 to 79</td>
<td>$14,946</td>
<td>$9,163</td>
</tr>
<tr>
<td>80 to 84</td>
<td>$13,289</td>
<td>$9,386</td>
</tr>
<tr>
<td>85+</td>
<td>$12,019</td>
<td>$8,985</td>
</tr>
</tbody>
</table>

Prepared by AARP Public Policy Institute
Among the older population, median income was highest for married men and lowest for married women.
Figure 7

Median Income by Marital Status and Gender for Persons Aged 65 and Over in 1995

Marital Status

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Median Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>$17,273</td>
</tr>
<tr>
<td>Widowed</td>
<td>$14,077</td>
</tr>
<tr>
<td>Divorced or Separated</td>
<td>$12,733</td>
</tr>
<tr>
<td>Never Married</td>
<td>$13,000</td>
</tr>
</tbody>
</table>


Prepared by AARP Public Policy Institute
Social Security is the most important income source for the older population, accounting for about two-fifths of total income. Pension, earnings, and asset income account for roughly equal shares of income.
Figure 8
Income Source as a Percent of Aggregate Income for Persons Aged 65 and Over in 1995

Social Security 41.9%
Retirement/Pensions 19.6%
Assets 15.6%
Earnings 17.6%
Other** 3.2%
Government Cash Transfers* 2.1%

* Government cash transfers include: unemployment compensation, worker’s compensation, veteran benefits, SSI, public assistance, and education assistance.
** Other income includes: child support, alimony payment, and financial assistance.


Prepared by AARP Public Policy Institute
Median Social Security income was roughly constant across income classes for both men and women. This is partly the result of the benefit formula that replaces a higher proportion of earnings for lower-wage-earners. The median benefit of women is about 60 percent that of men.
Figure 9
Median Social Security Income by Family Income and Gender for Persons Aged 65 and Over in 1995

Prepared by AARP Public Policy Institute
Asset income rises steadily with total income among older persons. Women generally have slightly higher asset income than men except in the highest income class, where men have 50 percent more asset income.
Figure 10
Median Asset Income* by Family Income and Gender
for Persons Aged 65 and Over in 1995

* Asset income includes: interest income, dividend income, and rental income.


Prepared by AARP
Public Policy Institute
Older women have substantially less income from pensions than older men, and the disparity increases as income increases.
Figure 11
Median Pension Income* by Family Income and Gender for Persons Aged 65 and Over in 1995

* Pension income includes: retirement income and survivor income.

Prepared by AARP Public Policy Institute

Earnings among older men and women are almost equal up to $50,000. Above that level, however, men have 2 to 4 times as much income from earnings as women.
Figure 12
Median Earnings* by Family Income and Gender for Persons Aged 65 and Over in 1995

* Earnings income includes: wage and salary income, self-employment income, and farm income.

Prepared by AARP
Public Policy Institute
Older women generally have higher income from government cash transfers than older men. The large transfers among the higher income class come mainly from veterans’ benefits.
Figure 13
Median Government Transfer Income* by Family Income and Gender for Persons Aged 65 and Over in 1995

* Government transfer income includes: unemployment compensation, worker's compensation, SSI, public assistance, veteran benefits, and education assistance.

Prepared by AARP Public Policy Institute
Over the last 20 years, there has been a slight convergence in incomes of younger and older families, with younger family median income falling $3000 and the median income of older families increasing an equivalent amount.
Figure 14
Trends in Median Family* Income by Age of Family Head, 1975-1995

* Individuals who live alone or unrelated persons are classified as families of one.

Prepared by AARP
Public Policy Institute
Male-headed families had median incomes nearly twice that of female-headed families.
Figure 15
Trends in Median Family* Income by Gender of Family Head for Persons Aged 65 and Over, 1975-1995

* Individuals who live alone or unrelated persons are classified as families of one.
Prepared by AARP
Public Policy Institute
Incomes are becoming more unequal. The share of aggregate household income received by the bottom four income quintiles has declined since 1975, while the share of aggregate household income received by the top quintile has increased.
Figure 16
Share of Aggregate Household Income by Quintile, 1975, 1985, and 1995 for All Persons

Income inequality has grown more rapidly for younger families than for older ones. Since 1975, the ratio of income of the top quintile to the income of bottom quintile has increased by age 65 percent (from 10 to 16.5), for those under age 65, while for those over age 65 it increased only 12 percent (from under 10 to just over 11).
Figure 17
Ratio of Family* Income Share Received by Top Income Quintile Relative to Bottom Income Quintile, by Age of Family Head, 1975-1995

* Individuals who live alone or unrelated persons are classified as families of one.


Prepared by AARP Public Policy Institute
Income is now as unequally distributed among the young as it has been among the old. Income has historically been more unequally distributed among older persons than among younger ones. But income inequality has converged, and inequality among the under age 65 population is now at the same level as the older population.
Figure 18
Inequality of Family* Income by Age of Family Head, 1975-1995

* Individuals who live alone or unrelated persons are classified as families of one.
** The Gini Coefficient is a statistical measure of income equality ranging from 0 to 1. A measure of 1 indicates perfect inequality; i.e., one person has all the income and the rest have none.


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The poverty rate is twice as high for children as for elderly persons overall. Regardless of age, the poverty rate among minorities is more than twice as high as among whites.
Figure 19
Percent of Population Below Poverty by Race and Age in 1995

Low-income status is proportionally greater among younger and older populations than middle ages, but poverty is lower among the elderly than among the young.
Figure 20
Poor, Near Poor, and Low-Income by Age in 1995

Percent of Population

<table>
<thead>
<tr>
<th>Age</th>
<th>Under 100%*</th>
<th>100%-125%**</th>
<th>125%-200%***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 18</td>
<td>20.8%</td>
<td>5.6%</td>
<td></td>
</tr>
<tr>
<td>18 to 24</td>
<td>18.3%</td>
<td>15.1%</td>
<td></td>
</tr>
<tr>
<td>25 to 34</td>
<td>16.9%</td>
<td>3.6%</td>
<td></td>
</tr>
<tr>
<td>35 to 44</td>
<td>16.8%</td>
<td>9.4%</td>
<td></td>
</tr>
<tr>
<td>45 to 54</td>
<td>12.4%</td>
<td>7.8%</td>
<td></td>
</tr>
<tr>
<td>55 to 64</td>
<td>22.4%</td>
<td>4.0%</td>
<td></td>
</tr>
<tr>
<td>65 to 74</td>
<td>33.6%</td>
<td>10.3%</td>
<td></td>
</tr>
<tr>
<td>75 to 84</td>
<td>46.2%</td>
<td>12.4%</td>
<td></td>
</tr>
<tr>
<td>85+</td>
<td>54.8%</td>
<td>15.9%</td>
<td></td>
</tr>
</tbody>
</table>

* poor  ** near poor  *** low income

Among the older population, women are much more likely to be poor. The poverty rate among women is more than twice that among men in all but the youngest age group.
Figure 21
Poverty Rates by Age and Gender for Persons Aged 65 and Over in 1995

Percent of Population Below Poverty

<table>
<thead>
<tr>
<th>Age</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>65 to 69</td>
<td>5.7%</td>
<td>10.1%</td>
</tr>
<tr>
<td>70 to 74</td>
<td>5.2%</td>
<td>12.3%</td>
</tr>
<tr>
<td>75 to 79</td>
<td>6.6%</td>
<td>14.0%</td>
</tr>
<tr>
<td>80 to 84</td>
<td>7.9%</td>
<td>18.7%</td>
</tr>
<tr>
<td>85+</td>
<td>8.7%</td>
<td>19.1%</td>
</tr>
<tr>
<td>All ages</td>
<td>6.2%</td>
<td>13.6%</td>
</tr>
</tbody>
</table>


Prepared by AARP Public Policy Institute
The poverty rate for the older population has declined significantly since 1966 due in large part to the increases in Social Security benefits enacted in the early 1970s and their indexation after 1975.
Figure 22
Trends in Poverty Rates by Age, 1966-1995


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Without Social Security benefits the poverty rate would increase from 10.5 percent to 47.8 percent for the total older population, and to more than three-fifths for those aged 85 and older.
Figure 23
Effect of Social Security Benefits on Poverty Rate for Older Population by Age in 1995


Prepared by AARP Public Policy Institute

* These figures indicate what the poverty rate would be without Social Security benefits.
Without government cash transfers, the poverty rate would increase from 10.5 percent to 49.9 percent for the total older population.
Figure 24
Percent of Population Below Poverty Without Government Cash Transfers* by Age in 1995

* Government cash transfers include non-means-tested transfers (Social Security payments, unemployment compensation, worker’s compensation, and other non-means-tested payments), and means-tested transfers (AFDC, SSI, and other public assistance programs).