

# Social Security: The Nation's Biggest (Hidden) Economic Stimulus

Research Conducted

by

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FULL REPORT AND DATA AVAILABLE AT: [www.socialsecurityspotlight.org](http://www.socialsecurityspotlight.org)

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## Economic Impact of Social Security

- Social Security plays a vitally important role for individuals and their families, particularly the country's most vulnerable populations—people of color; low-income older adults, particularly women; people with disabilities; and children. Begun in the 1930s as our country was in the depths of the Great Depression, this social insurance program may be the most successful public program in the history of the United States.
- Social Security also plays a vital role in local communities, counties and states around the country, both as a direct stimulus to economic activity and to the communities at large where beneficiaries live as dollars are spent in the local economy.

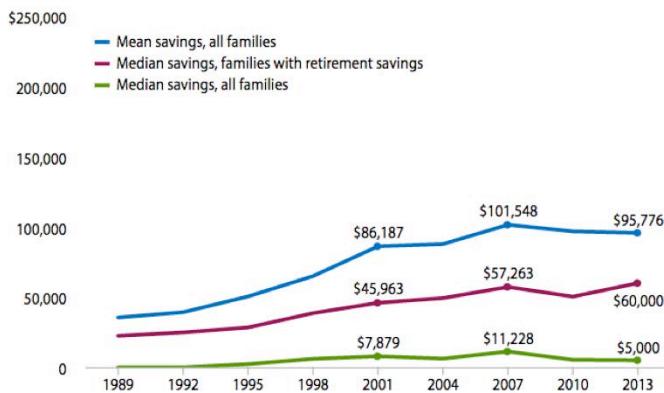
## Retirement Security in the USA

- Retirement assets for the median working age family in 2013 was \$5,000 dollars.
- Percentage of private sector workers with NO access to a job-based retirement plan rose from 38% in 1998 to 56% in 2015.
- Between 2012 and 2015, the number of employees without access to a retirement plan increased by 10 million workers, from 45 million to 55 million.

The state of retirement security in our country is nothing short of abysmal. Social Security's economic importance has only grown over the last 30 years. With the inadequacy of employment-based retirement plans and the devastating impact of wage stagnation, it has become more difficult to save for retirement. These bullet points tell a good part of the story.

## Retirement Savings are Inadequate

Retirement account savings of families age 32-61, 1989-2013 (2013\$)



**Note:** Since DC and DB shares include families with both kinds of plans, the share with both types is subtracted from the total to produce the share with any plan. Shares indicate whether either the respondent or his or her spouse participated in such a plan or plans on a current job (individual participation rates are lower). Retirement account savings include 401(k)s, IRAs, and Keogh plans.

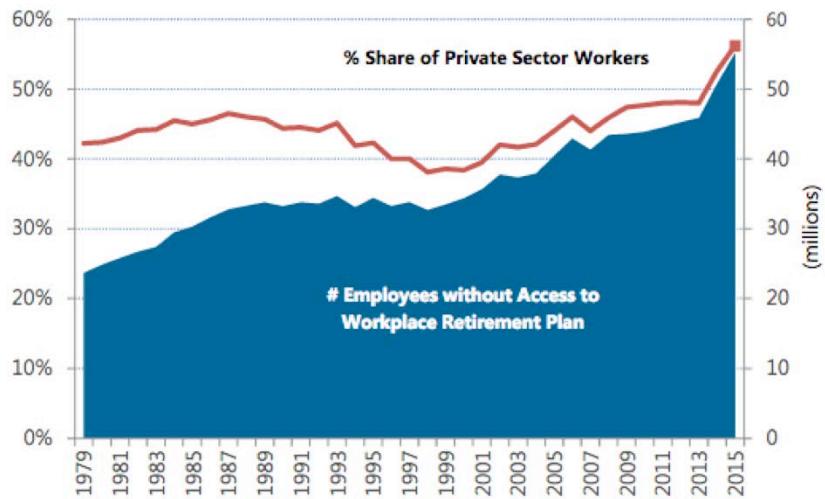
Source: EPI analysis of Survey of Consumer Finance data, 2013.

The bottom green line shows that the retirement assets for the median working age family in 2013 was \$5,000 dollars—this includes all families, those with and those without retirement assets. This means that the typical working age American family has virtually no retirement savings, which helps explain why Americans have become even more dependent on Social Security in recent years.

Even if we look only at those families with assets—the red line—they totaled only \$60,000 in retirement assets. And if that amount were annuitized it would generate less than a couple of hundred dollars per month.

**Source:** Morrissey M. The State of American Retirement: How 401(k)s have failed most American workers. Economic Policy Institute, March 3, 2016. <http://bit.ly/24JR57d>

## Need for Workplace Retirement Savings has Increased



An analysis by Nari Rhee at the University of California, Berkeley using recent Current Population Survey data, shows that the percentage of private sector workers with NO access to a job-based retirement plan—either a traditional pension or a 401(k) type plan—rose from 38% in 1998 to 56% in 2015. Between 2012 and 2015, the number of employees without access to a retirement plan increased by 10 million workers, from 45 million to 55 million, reflecting both employment growth and the decline in employer sponsorship of retirement plans.

Source: Nari Rhee. Proposed Congressional Repeal of Federal Regulations Supporting State Auto-IRAs Threatens Retirement Security of 13 Million Workers in Five States. UC Berkeley Center for Labor Research and Education. February 2017.  
<http://bit.ly/2mhILhk>

## Racial Wealth Inequality

	Liquid Retirement Assets, 2013	
	Average	Median
White	\$130,472	\$5,000
African American	\$19,049	0
Hispanic	\$12,329	0

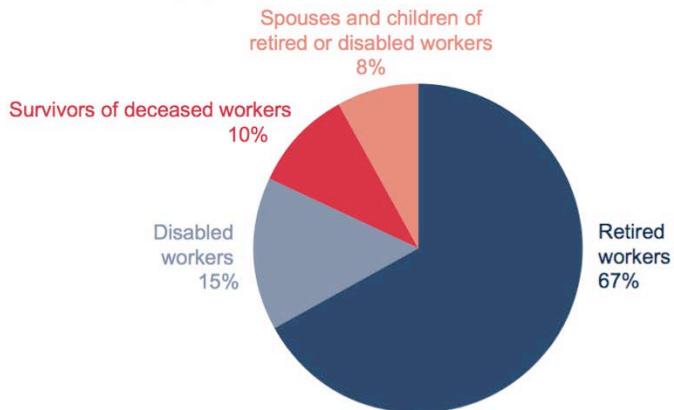
There are critical disparities that exist by race and ethnicity. According to the Urban Institute's analysis of the Survey of Consumer Finances, White families on average have seven times the wealth of African American families and six times the wealth of Hispanic families.

In terms of liquid retirement assets, e.g., 401(k) type plans or IRAs, Whites have 7 to 11 times the *average* liquid retirement assets as African Americans and Hispanics, respectively. If we look at the *median* liquid retirement assets, it is more shocking. In 2013, Whites had \$5,000 and African Americans and Hispanics had ZERO; translated: more than half of African Americans and Hispanics have absolutely no retirement savings.

*Source:* Urban Institute, February 2015. <http://urbn.is/2ir3Ymn>

## Social Security Beneficiaries, 2015

### Beneficiaries, by type



Social Security provides important support across the life cycle, from children of retired or disabled workers, to insurance protection against disability for nearly the entire working age population and, of course, income support elderly workers and the disabled. The chart illustrates the breakdown of SS recipients at the end of 2015.

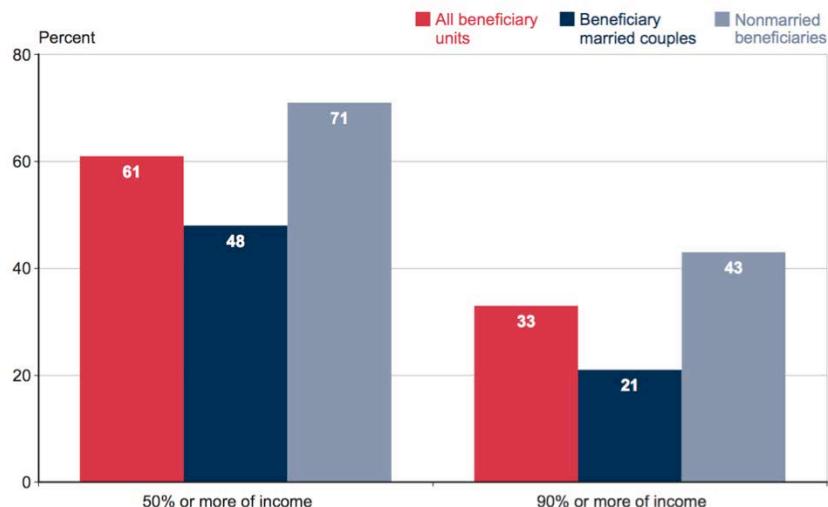
According to the Social Security Administration, in 2017, over 62 million Americans will receive \$955 billion in Social Security benefits.\* This represent approximately **19%** of the entire U.S. population and **5%** of the nation's gross domestic product.

\* Social Security Administration. Fact Sheet: Social Security, January, 2017.

<http://bit.ly/SSAdat2017>

*Graphic Source:* Social Security Administration, Fast Facts & Figures, 2016. <http://bit.ly/SSFacts2016>

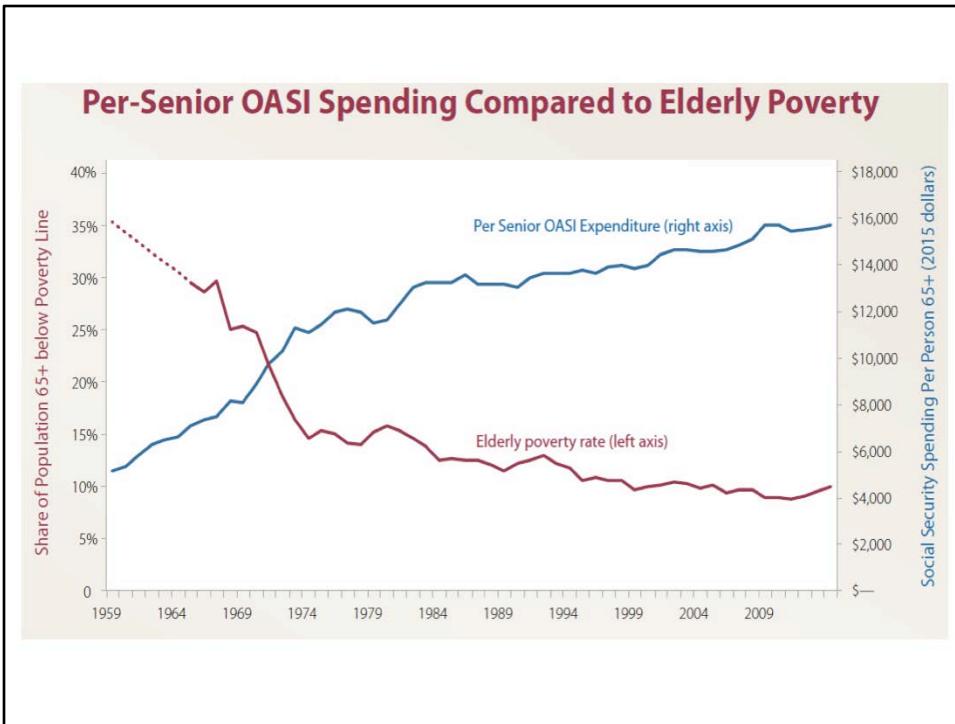
## Relative Importance of Social Security Contribution to Income, 65 and Older, 2014



Social Security does not merely supplement income; it is the primary source of income for the majority of older adults. The red bars, which include all SS recipients 65 and older, illustrate that **61% rely on Social Security for half or more of their income. For one third of the elderly it provides 90% or more of their income.**

For married copies (in dark blue) the figures are lower, and for the single or non-married (in light blue) the numbers are higher.

Source: Social Security Administration, Fast Fact & Figures About Social Security, 2016. Calculations based on March 2015 Current Population Survey.  
<http://bit.ly/2nDWG1O>



By comparing Social Security spending per person in constant 2015 dollars to the poverty rate, we can see the dramatic historical role that SS has played in reducing senior poverty. As SS benefits have risen, elderly poverty has fallen.

*Source:* Edwards KA, Turner A, Hertel-Fernandez A. A Young Person's Guide to Social Security THIRD EDITION, Economic Policy Institute and National Academy of Social Insurance. January 2016, <http://bit.ly/1nphDJ2>

## The Impact of Social Security on Poverty Across the Generations

Age group	Percent in poverty		Number lifted out of poverty by Social Security
	Excluding Social Security	Including Social Security	
Children Under 18	22.6%	21.1%	1,106,000
Adults Ages 18-64	16.5%	13.5%	5,832,000
Elderly Age 65 and Over	41.5%	10.0%	14,488,000
<b>Total, All Ages</b>	<b>21.6%</b>	<b>14.8%</b>	<b>21,426,000</b>
Addendum:			
Women Age 65 and Over	45.6%	12.1%	8,578,000

Social Security plays a central role in the economic life of beneficiaries. **In fact, SS pulls more people out of poverty than any other program in the history of the United States.** For the country as a whole, Social Security lifts more than 21 million Americans out of poverty each year. It does not just benefit the elderly—it is truly an intergenerational program, affecting millions of Americans across the life cycle. This includes nearly 15 million age 65 and older, 6 million between ages 18 and 64 and more than a million children.\*

It is worth noting that Social Security is probably America's **most efficient anti-poverty program**. More than 99 cents of every dollar is paid in benefits, with less than one percent allocated to administrative expenses.\*\*

*Source:* Romig K. Social Security Lifts 21 Million Americans Out of Poverty, Center for Budget and Policy Priorities, November 9, 2016. <http://BIT.LY/1U9DM9G>.

\* See also Peter S. Arno and Jeannette Wicks-Lim. Overlooked but Not Forgotten: Social Security Lifts Millions More Children Out of Poverty. Analysis conducted for the Center for Global Policy Solutions, July 2016. [http://bit.ly/SS\\_Childpoverty](http://bit.ly/SS_Childpoverty)

\*\*Social Security Trustees Annual Report, 2016. Table III.A6.—Administrative Expenses as a Percentage of Non-interest Income and of Total Expenditures, Calendar Years 2011-2015. <http://bit.ly/2oEPZc6>

## Social Security Benefits Cycle through the Economy

- As Social Security benefits are spent and cycle through the economy there is a cumulative impact, which increases aggregate economic activity as recipients spend their benefits on goods and services. The businesses that receive these dollars use them to pay their owners and employees, purchase additional items to sell, and pay rent, taxes, and the other normal costs of doing business. Their suppliers in turn use the revenue they receive to pay their employees, suppliers etc. This is known as an economic multiplier effect.
- Social Security's automatic economic stabilizer effect is important to consider as well because beneficiaries continue to receive benefits even during economic downturns. These dollars not only aid individuals and their families but also circulate in communities to help moderate the effects of the business cycle.

## Social Security as Economic Stimulus Billions of Dollars, 2014

	Total SS Benefits	Economic Multiplier	Total SS Economic Output*		Total SS Benefits	Economic Multiplier	Total SS Economic Output*
Alabama	\$ 15.3	1.73	\$ 25.3	Montana	\$ 3.0	1.83	\$ 5.1
Alaska	\$ 1.2	1.72	\$ 2.0	Nebraska	\$ 4.8	1.80	\$ 7.9
Arizona	\$ 18.2	2.00	\$ 34.2	Nevada	\$ 7.1	1.75	\$ 11.6
Arkansas	\$ 9.1	1.70	\$ 14.8	New Hampshire	\$ 4.4	1.84	\$ 7.5
California	\$ 80.4	2.21	\$ 165.8	New Jersey	\$ 25.6	1.93	\$ 45.6
Colorado	\$ 11.7	2.06	\$ 22.5	New Mexico	\$ 5.4	1.71	\$ 8.6
Connecticut	\$ 10.6	1.83	\$ 18.0	New York	\$ 53.1	1.93	\$ 95.3
Delaware	\$ 3.1	1.81	\$ 5.1	North Carolina	\$ 28.5	1.89	\$ 51.0
District of Columbia	\$ 1.1	1.58	\$ 1.6	North Dakota	\$ 1.7	1.67	\$ 2.7
Florida	\$ 62.3	2.10	\$ 122.7	Ohio	\$ 32.7	1.80	\$ 55.9
Georgia	\$ 24.1	1.98	\$ 45.2	Oklahoma	\$ 10.5	1.84	\$ 18.3
Hawaii	\$ 3.7	1.87	\$ 6.4	Oregon	\$ 11.9	1.93	\$ 21.5
Idaho	\$ 4.4	1.79	\$ 7.4	Pennsylvania	\$ 41.2	1.99	\$ 77.2
Illinois	\$ 32.5	2.09	\$ 63.7	Rhode Island	\$ 3.2	1.86	\$ 5.5
Indiana	\$ 19.5	1.82	\$ 33.6	South Carolina	\$ 15.3	1.76	\$ 25.4
Iowa	\$ 9.1	1.74	\$ 14.8	South Dakota	\$ 2.3	1.78	\$ 3.8
Kansas	\$ 7.8	1.82	\$ 13.2	Tennessee	\$ 19.6	1.96	\$ 36.5
Kentucky	\$ 13.0	1.76	\$ 21.8	Texas	\$ 54.0	2.12	\$ 108.1
Louisiana	\$ 11.3	1.81	\$ 19.5	Utah	\$ 5.4	2.07	\$ 10.2
Maine	\$ 4.4	1.82	\$ 7.7	Vermont	\$ 2.1	1.77	\$ 3.3
Maryland	\$ 14.4	1.88	\$ 25.1	Virginia	\$ 21.1	1.81	\$ 35.5
Massachusetts	\$ 18.2	1.98	\$ 33.7	Washington	\$ 18.9	1.98	\$ 34.8
Michigan	\$ 32.8	1.93	\$ 59.9	West Virginia	\$ 6.5	1.61	\$ 10.0
Minnesota	\$ 14.6	2.08	\$ 27.8	Wisconsin	\$ 17.5	1.91	\$ 31.4
Mississippi	\$ 8.6	1.68	\$ 13.8	Wyoming	\$ 1.5	1.55	\$ 2.2
Missouri	\$ 17.9	1.94	\$ 32.8				

\*SS benefits were adjusted for federal and state taxes paid on these benefits  
[www.SocialSecuritySpotlight.org](http://www.SocialSecuritySpotlight.org)

Our research updates an earlier analysis done by Gary Koenig and Al Myers for the AARP Public Policy Institute, which quantifies the relative importance of Social Security in a given region. The state multipliers used here are based on their analysis using an input-output model of the US economy known as IMPLAN (IMPact analysis for PLANning). “The input-output model captures not only the direct impact of Social Security expenditures but also the indirect and induced impacts that occur when recipient dollars work their way through the economy.” \*

The economic multiplier varies by state from a low of 1.55 in Wyoming to a high of 2.21 in California. What this means is that every dollar of SS benefits paid in California each year results in \$2.21 of economic activity. After adjusting for the taxes paid on these benefits, the columns in green indicate the total economic activity generated by SS. These numbers are quite substantial—ranging from a low of \$1.6 billion dollars in Washington, DC to \$166 billion dollars in California.

\* Koenig G, Myles A. Social Security’s Impact on the National Economy, AARP Public Policy Institute, October, 2013. Available, <http://bit.ly/1cUzFNm>

## Regional Social Security Support Index (RSI)

- The RSI quantifies a given locality's support from or dependency on Social Security
- The index is based on three components:
  - **Percent of the total population who are Social Security recipients**
  - **Percent of total personal income from Social Security payments**
  - **Average per capita Social Security payments**

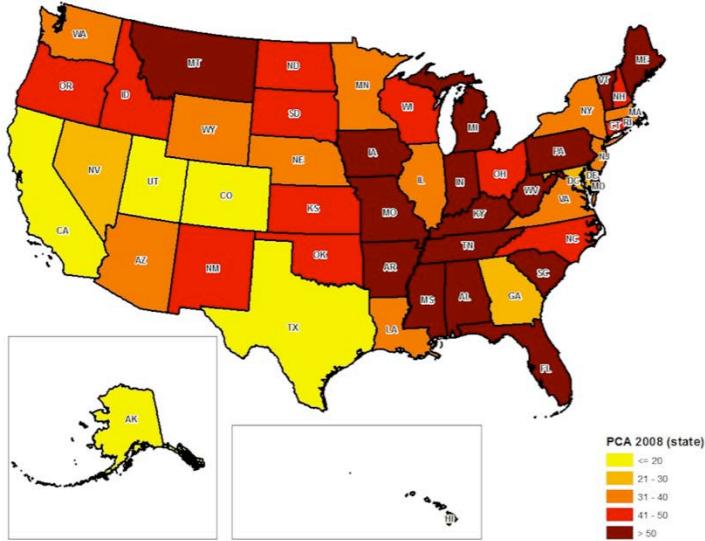
The previous page illustrates the way Social Security benefits flow through the aggregate economy in each state. The following pages describe another metric that captures how these SS benefits flow through and affect states and counties, affecting not just beneficiaries but entire communities. This metric is called the **Regional Social Security Support Index, or RSI**.

The RSI metrics are based on the total population of a region, not just Social Security beneficiaries, so the percent of total personal income is all personal income in either a county or a state. Similarly, average per capita SS payments are SS payments in dollars averaged over all residents of the region, not just beneficiaries. This helps to illustrate the impact of SS on the entire population of a region, not just the individuals receiving benefits

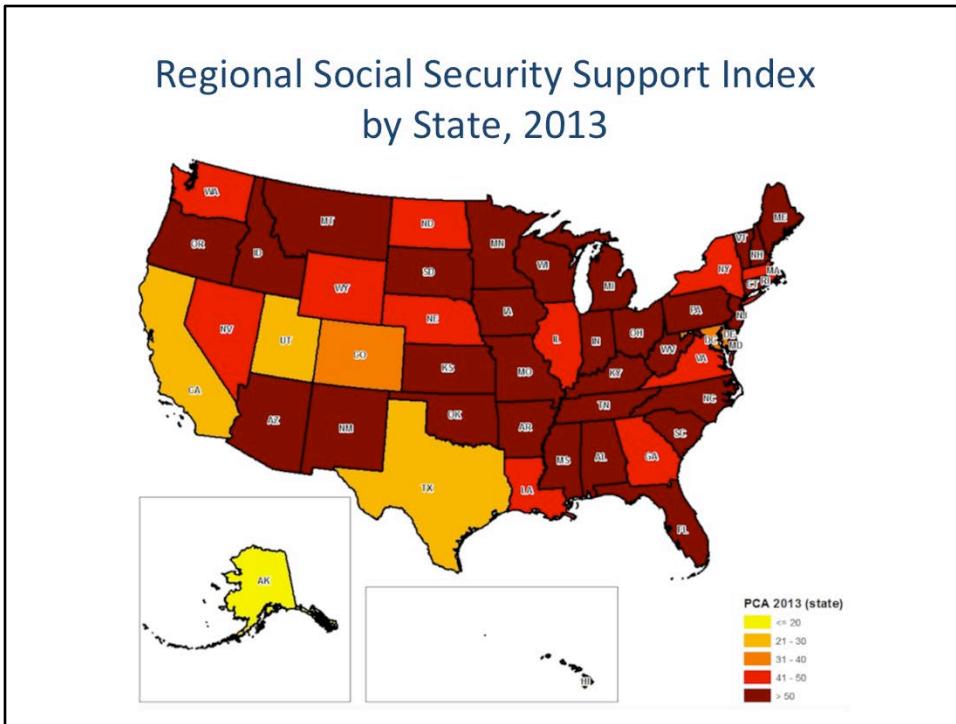
We applied a principal component analysis (PCA) to reduce the three variables into one component that represents all of them. Thus, this one variable represents the amount of support or dependency on SS for each state or county.

[We used 2013 data to create the PCA variable. The relative weights of each variable were determined using regression techniques, and these weights were then applied to 2008 data. Using this method, we end up with a continuous PCA-derived variable that represents the amount of support or dependency of each state or county.]

## Regional Social Security Support Index by State, 2008



This map for 2008 represents our metric for Social Security's support or dependency by state—shading from yellow to dark brown, where the lighter colors represent the lowest support values and the darker colors reflect greater support or dependency. We scaled these values to be between 0 and 100.



By comparing the updated 2013 RSI figures to those from 2008 on the previous page —at the state level, the level support or dependency on Social Security has increased almost across the board. Only North Dakota decreased its RSI score over this time period.

For detailed information on all states see the Regional Support Index at [www.SocialSecuritySpotlight.org](http://www.SocialSecuritySpotlight.org)

	Regional Support Index (RSI): Illinois, Select Counties					
	% Total Population Receiving SS Benefits (2013)	% Personal Income from SS Benefits (Total Population; 2013)	Per Capita SS Income (\$) (Total Population; 2013)	RSI Score (2013)	RSI Score (2008)	
Christian	24	8	\$ 3,385	37	34	
Clark	24	8	\$ 3,238	36	32	
Clay	24	8	\$ 3,143	36	34	
Clinton	19	6	\$ 2,577	27	25	
Coles	18	6	\$ 2,395	26	23	
Cook	15	4	\$ 2,150	21	18	
Crawford	23	8	\$ 3,250	35	32	
Cumberland	23	7	\$ 2,984	33	29	
De Witt	22	7	\$ 3,126	33	30	
DeKalb	14	6	\$ 2,033	21	17	

To help you understand how this works at the county level, data for a few select counties in Illinois is listed above. The values for the three variables in the index are: (1) percent of each county's entire population that receives Social Security benefits; (2) percent of personal income in the county derived from Social Security; and (3) the per capita Social Security income at the county level (total amount of Social Security benefits divided by total number of residents).

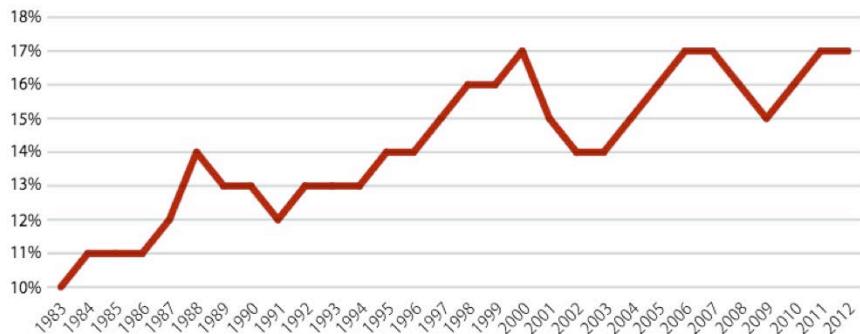
In these Illinois counties support increased for each county between 2008 and 2013. When examining a change in RSI between 2008 and 2013, a larger number indicates increasing Social Security support over the five-year period, whereas a smaller number indicates decreasing support; this data cannot be interpreted as a percentage change.

Across the country, only 197 out of 3,108 counties (6.3%) with reliable data for both years decreased their support over the same time period.

For detailed information on all counties in the U.S. see the Regional Support Index at [www.SocialSecuritySpotlight.org](http://www.SocialSecuritySpotlight.org)

## Rise of Inequality: Wages above the Social Security Cap

Between 1983 and 2012, the share of earnings  
that escaped taxation rose 7 percentage points

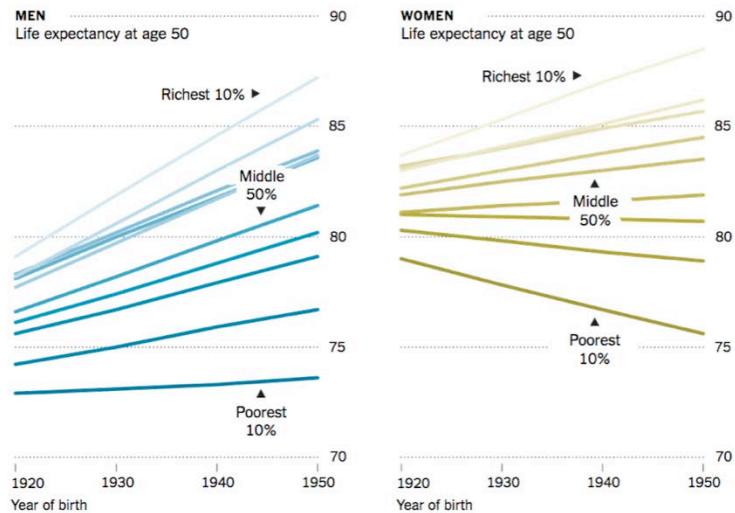


Due to the rise of income inequality—and in particular wage stagnation for the bottom of the income distribution and ever-rising incomes at the top, a growing portion of wages have risen above the Social Security salary cap—that is the ceiling on wages that are subject to the SS tax. Because of SS's unique funding structure, earnings above the cap are not taxed and thus do not contribute to the SS Trust Fund. In 1983 only approximately 10% of all U.S. wages were above the cap and escaped taxation. That has now risen to about 17% of all wages.

While 17% of wages are above the cap, this only applies to about 6% of American workers, who are those whose total wages are higher than the cap. But few people know the magnitude of wages earned by the top 6 % that are above the cap. It is more than **one trillion dollars** that does not get taxed and does not contribute to SS's finances. That figure includes only wage income and does not include interest, or dividends, or capital gains, or hedge fund managers' so-called carried interest income, nor the billions of dollars held in "tax shelters" outside the country. It is this issue—one of the central issues of our time—the rise in income inequality—that is one of major causes of the long-term imbalance of SS finances. If the salary cap is eliminated, as it was for Medicare in 1993—an important precedent, it would solve at least three-quarters of the projected fiscal imbalance over the next 75 years.

*Graphic Source:* Center for American Progress, Rising Earnings Inequality Is Taking a

## Rising Economic Disparity in Life Expectancy: Life Expectancy at age 50

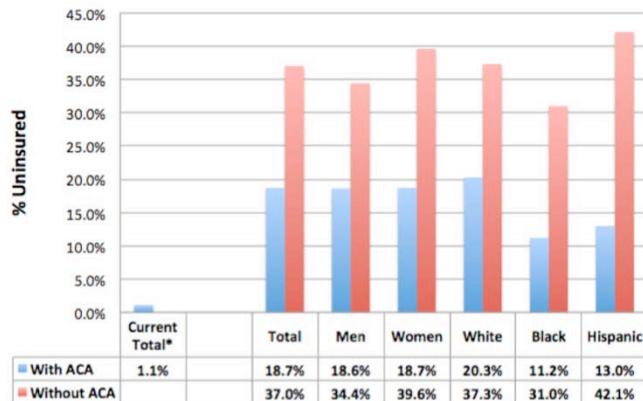


This graph contains essential information to weigh when considering the proposal to raise the age of Social Security eligibility. Politicians often propose as common sense: “We are living longer, so shouldn’t we raise SS age and work longer?” When you consider the disparities in life expectancy, you will see that the answer is unequivocally, “NO.”

The same trend of income inequality that is disrupting the fiscal balance of Social Security is also wreaking havoc with our lives. Clearly not everyone is living longer, and not everyone is capable of working longer, particularly those in many low-income, high-risk occupations. Raising the eligibility age is nothing more than a cruel cut in benefits for those that are most in need.

*Graphic Sources:* Brookings Institution; U. of Michigan Health and Retirement Study; The New York Times, February 12, 2016. <http://nyti.ms/1Rj8z2O>

**Raising Medicare Eligibility Age from 65 to 67:  
Percentage Uninsured (ages 65-66) With and Without the  
Affordable Care Act (ACA), 2019**



\* Current total refers to the percent of adults aged 65 or over without health insurance in 2015 (U.S. Census Bureau, <http://bit.ly/280P2sm>)

Another policy issue currently being raised by politicians—and included in Speaker of the House Paul Ryan’s plan, “A Better Way,” is raising the age of Medicare eligibility. We include it in this report—and on the website [www.SocialSecuritySpotlight.org](http://www.SocialSecuritySpotlight.org) because it is closely related to the well-being of seniors.

Medicare today covers almost everyone 65 and over, with only 1.1 percent currently uninsured. But if the eligibility age for Medicare increases to 67, even if the Affordable Care Act (ACA) is *not* repealed, the percentage of uninsured would increase seventeen-fold to 18.7 percent—or 1.9 million seniors aged 65 and 66. If the ACA is repealed, the percentage of uninsured would increase to 37 percent or 3.8 million people, more than one-third of all seniors aged 65 and 66.

Older Americans without health insurance would be hard-pressed to get needed care, particularly if the ACA is repealed. To the extent they have chronic conditions, insurers may no longer agree to cover them and, even if coverage is available, it is unlikely to be affordable for most people; if it is affordable, it is likely to cover only limited benefits, with annual and lifetime caps. They will, therefore, end up using emergency services at far greater cost to our health care system and the institutions that provide them care. Doctors and hospitals in particular will find themselves covering the cost of care for most of these newly uninsured Americans (without reimbursement), putting these health care providers at financial risk. To the extent they raise their rates to absorb these costs, insurance premiums will rise further, escalating health care costs for insured Americans.

**Medicare is far better than commercial insurance** at guaranteeing coverage, containing costs, and giving people with costly conditions access to the care they need. We should be expanding Medicare to everyone in the U.S., not driving up health care costs and the number of uninsured by raising the Medicare eligibility age.

[www.SocialSecuritySpotlight.org](http://www.SocialSecuritySpotlight.org)**Economic Impact of SS**

# \$1.6 TRILLION

In 2014, Social Security contributed \$1.6 trillion nationally as benefits are spent and generate additional economic activity in every state.

**Raising Medicare Age to 67**