University of Wisconsin-Madison

IRP Discussion Papers

Jennifer Warlick

HOW EFFECTIVELY DOES SSI GUARANTEE MINIMUM INCOME FOR THE LOW-INCOME AGED?

DP #751-84

Institute for Research on Poverty
Discussion Paper no. 751-84

How Effectively Does SSI Guarantee Minimum Income for the Low-Income Aged?

Jennifer L. Warlick
Department of Economics
University of Notre Dame

July 1984

This paper was originally prepared for the Special Committee on Aging, U.S. Senate, and appeared in slightly altered form in the Information Paper prepared for the Committee, "The Supplemental Security Income Program: A 10-Year Overview" (Washington, D.C.: U.S. Government Printing Office, 1984).

Abstract

This paper examines the maximum potential versus the actual performance of the Supplemental Security Income program in alleviating poverty among the elderly. Using a simulation model of eligibility and participation (1978 data), the analysis shows that even if participation among all eligibles were 100 percent, a proportion amounting to 12.5 percent of the aged population would have cash incomes below the poverty level. Furthermore, actual participation rates are low, running close to 60 percent in a variety of studies and 57 percent in the simulation. After describing the reasons for nonparticipation and the demographic characteristics of those who are and are not removed from poverty by SSI, the paper concludes that the program reduces poverty but does not eliminate it; to do so, the minimum benefit must be increased and greater participation must be encouraged.

How Effectively Does SSI Guarantee Minimum Income for the Low-Income Aged?

Neither the problem of low income during old age nor federal efforts to combat this problem are new phenomena. Legislation enacting the Old Age Survivors Insurance program (OASI) and authorizing grant-in-aid funding to the states for the creation of residual programs of aid to the aged (Old Age Assistance, OAA) will celebrate its fiftieth birthday next year, in 1985. The Supplemental Security Income program (SSI), a program of federally financed and administered uniform cash grants to the aged, blind, and disabled, is a decade old this year. Indeed, when the combination of OASI, SSI, Medicare, and reduced tax liabilities is considered, the aged stand out among all other adult categories of the population as a favored target of federal income maintenance legislation.

These efforts have not been in vain. Since the U.S. Census Bureau first began to count the poor in 1959, the percentage of the aged population whose cash incomes are below official poverty thresholds has fallen from the initial level of 35.2 percent to 14.6 percent in 1982. Within this period, the greatest improvement occurred between 1959 and 1974: the incidence of poverty fell by 59 percent.[1] In the ten years since 1974, the incidence of cash poverty has fluctuated within the narrow range of 13.9 to 15.7 percent, peaking in 1980 (U.S. Bureau of the Census, 1983).

At first blush, the stability of poverty among the aged since the advent of SSI is surprising. Congress enacted SSI in 1972 in recognition of the inadequacy of OASI and OAA as antipoverty instruments. Although OASI was regarded primarily as a mechanism for earnings replacement, its benefits being tied to contributions made during the individual's working life, a progressive benefit schedule and a minimum benefit served the secondary objectives of poverty reduction and income redistribution. State OAA programs were intended to provide needed income support to persons not covered by OASI. But the economic situation of the aged in the late 1960s and early 1970s spoke ill of these programs as a solution to the problems of poverty during old age. In 1971, despite federal expenditures to the aged of $47.2 billion (representing 59 percent of total federal income security cash outlays), nearly 22 percent of all aged persons reported cash income below poverty levels (Special Analyses of the United States, Fiscal Year 1973, 1972, pp. 187-188; U.S. Bureau of the Census, 1983).

Implemented in 1974, SSI was heralded as "the most fundamental new departure in U.S. public welfare policy since the 1930's" (Bickle and Wilcock, 1974, p. viii), and expectations that the problem of poverty during old age was vanquished once and for all were sown. But, as shown above, during the next ten years the percentage of the aged population living in poverty remained roughly constant; in 1982, 3.75 million aged persons had cash incomes insufficient to attain the "minimum adequate 'American style' diet" as defined by official poverty thresholds.

Has SSI failed in its objectives? Or did false expectations surround the program, preordaining its failure? What is SSI's maximum potential effectiveness in alleviating the problem of poverty during old age? Is SSI fulfilling this potential? If not, what are the dimensions of the remaining problems and what options are available to address it?

This paper attempts to answer these questions, beginning with an examination of the features of SSI unique to that program. I conclude that it was the federal government's assumption of responsibility for the financing and disbursement of a nationally uniform minimum cash grant to all aged persons who met nationally standardized eligibility criteria which earned SSI the title as the "most fundamental new departure in U.S. public welfare policy since the 1930's," rather than the generosity of these cash grants or their capability of eliminating poverty. In this light the expectation that SSI can solve the problem of poverty during old age is unrealistic. A simple simulation model, which assumes that all persons eligible for SSI receive it, is used to determine the maximum effectiveness of SSI in eliminating poverty. This model and all subsequent empirical analyses are based upon data from the March 1979 Current Population Survey.

I then turn attention to the actual impact of SSI on the economic welfare of the aged population. A primary finding is that SSI is not fulfilling its maximum potential because 40 to 50 percent of those aged persons who are eligible do not participate. The question of why nonparticipation is so common is briefly analyzed. Although this is a question which has received considerable attention in the literature, we still lack knowledge of how to increase participation effectively. I also examine the antipoverty effectiveness of SSI among current recipients. Characteristics which distinguish those recipients removed from poverty by SSI from those who remain in poverty are identified. In the concluding section I discuss policy options to increase the effectiveness of SSI and to reduce current levels of poverty among the aged.

WAS SSI DESIGNED TO ELIMINATE POVERTY?

Three fundamental features of the SSI program distinguish it from the state OAA programs it was designed to replace:

1. Nationally uniform standards are applied to determine program eligibility.

2. Eligible persons are guaranteed a nationally uniform minimum cash grant.

3. The minimum cash grant is wholly federally financed and administered by a federal agency, the Social Security Administration (SSA).

These features were intended to remedy the following undesirable characteristics of state programs:

1. State-to-state variation in eligibility criteria.

2. Intrusive eligibility investigations to determine individual need.

3. Application of lien and relative responsibility laws.

4. State-to-state variation in the cash grants available to persons with no other income (maximum payments ranged from $75 to $250 in 1972).

SSA was chosen as the administering agency because of its familiarity to the aged population and also because of its reputation for disbursing OASI in an efficient and impartial manner. Congress especially hoped that OASI would fuse with the image of SSI so that the poor aged would come to view SSI payments as a matter of right rather than privilege (U.S. Congress 1977b).

Despite the contentions of its creators that SSI was "designed to provide a positive assurance that the nation's aged, blind and disabled people would no longer have to subsist on below-poverty-level incomes" (U.S. Senate Report 92-1230, quoted in U.S. Congress, 1977b), the original legislation set the SSI guarantee levels substantially below poverty thresholds. In 1974, the year of implementation, couples with no other income who maintained their own homes were eligible for benefits amounting to $2,574; the comparable figure for individuals was $1,716.[2] These amounts represented 85 and 71 percent of the SSA poverty thresholds for an aged couple and individual, respectively. This decision is partly explained by the fact that SSI was conceived, as its name suggests, as a supplement to the social security program and other income sources. It was anticipated that only a very few aged persons would be totally dependent upon SSI as a sole source of income. Setting SSI guarantee levels at the poverty thresholds was thus deemed unnecessary. Congress sought instead to insure against below-poverty-level incomes by incorporating exclusions for earned and nonemployment income more generous than those existing under the OAA programs. The nonemployment income exclusion (e.g., social security, private pensions, interest and dividends) was set at $20 per month, or $240 annually. In the absence of earned income, these disregards combined with the SSI guarantee brought couples within 6 percentage points of the poverty threshold; an individual's total income under this scheme lagged behind, at 82 percent of the poverty threshold.

The prospects for aged persons with earnings appeared considerably brighter. Couples and individuals were allowed to disregard the first $65 and one-half of the remainder of any earnings per month. Thus, in 1974, couples living independently with only employment income could earn up to $523 per month, or $6,276 annually, before losing eligibility; individuals lost eligibility at $377 per month, or $4,524 annually. These amounts represented 210 and 191 percent of the poverty thresholds for couples and individuals respectively. Despite the bright promise held out by these high break-even levels, their effect proved to be limited, since fewer than 2 percent of all aged SSI participants received earned income in 1982 (Social Security Bulletin, Annual Statistical Supplement, 1982). Thus the federal break-even levels relevant for the vast majority of the SSI population (guarantee plus nonemployment income disregard) were set below the poverty thresholds. Because both the SSI guarantee levels and the poverty thresholds are increased annually by the same inflation factor,[3] this relationship has not altered appreciably over time.

Not only were the federal SSI guarantee levels lower than poverty thresholds, but they were also lower than prevailing OAA payment levels in 25 states. Recognizing that those states paying higher levels of assistance would probably wish to continue to do so, Congress included in the original legislation provisions allowing states to add to the federal benefit a state supplement, financed entirely with state funds.[4] In 1978, 25 states provided 'voluntary' supplements to at least one category of aged persons living independently. The effect of these supplements is to raise the minimum benefit both in absolute terms and relative to the poverty thresholds, thereby increasing SSI's potential for eliminating poverty. Table 1 shows for each state the combined federal and state SSI payment available in 1978, plus the $240 annual nonemployment income disregard, for three types of aged SSI filing units living independently: couples, individuals with ineligible spouses, and individuals. Also shown is the ratio of these levels to the appropriate poverty thresholds.

Examination of this table places SSI in a somewhat better light in terms of "a positive assurance that the nation's aged ... people would no longer have to subsist on below-poverty-level incomes." The total income

Table 1

Absolute and Relative SSI Guarantee Levels, 1978

	Benefit Level (State & Federal) + $240 Nonemployment Income Disregard			Benefit Level + $240 Disregard as a Percentage of Poverty Line		
	Couple	Eligible Individual with Ineligible Spouse	Individual	Couple ($3944)	Eligible Individual with Ineligible Spouse ($3944)	Individual ($3172)
Federal	$3304.80	$2203.20	$2203.20	89.88%	61.95%	77.02%
Alabama	3864.80	2443.20	2443.20	97.99	61.95	77.02
Alaska	5657.80	3786.20	3786.20	143.45	96.00	119.36
Arizona	3544.80	2443.20	2443.20	89.88	61.95	77.02
Arkansas	3544.80	2443.20	2443.20	89.88	61.95	77.02
California	7083.80	3890.20	3890.20	179.61	98.64	122.64
Colorado	5591.80	2918.20	2918.20	141.78	73.99	92.00
Connecticut	5186.80	3612.20	3612.20	131.51	91.59	113.88
Delaware	3544.80	2443.20	2443.20	89.88	61.95	77.02
Dist. of Col.	3544.80	2443.20	2443.20	89.88	61.95	77.02
Florida	3544.80	2443.20	2443.20	89.88	61.95	77.02
Georgia	3544.80	2443.20	2443.20	89.88	61.95	77.02
Hawaii	3834.80	2625.20	2625.20	97.23	66.56	82.76
Idaho	4355.80	3324.20	3324.20	110.44	84.28	104.80
Illinois	3544.80	2443.20	2443.20	89.88	61.95	77.02
Indiana	3544.80	2443.20	2443.20	89.88	61.95	77.02
Iowa	3544.80	2443.20	2443.20	89.88	61.95	77.02
Kansas	3544.80	2443.20	2443.20	89.88	61.95	77.02

(table continues)

Table 1, continued

	Benefit Level (State & Federal) + $240 Nonemployment Income Disregard			Benefit Level + $240 Disregard as a Percentage of Poverty Line		
	Couple	Eligible Individual with Ineligible Spouse	Individual	Couple ($3944)	Eligible Individual with Ineligible Spouse ($3944)	Individual ($3172)
Kentucky	3544.80	2443.20	2443.20	89.88	61.95	77.02
Louisiana	3544.80	2443.20	2443.20	89.88	61.95	77.02
Maine	3724.80	2563.20	2563.20	94.44	64.99	80.81
Maryland	3544.80	2443.20	2443.20	89.88	61.95	77.02
Massachusetts	5833.80	3914.20	3914.20	147.92	99.24	123.40
Michigan	4042.80	2775.20	2775.20	102.51	70.37	87.49
Minnesota	3971.80	2772.20	2772.20	100.70	70.29	87.40
Mississippi	3544.80	2443.20	2443.20	89.88	61.95	77.02
Missouri	3544.80	2443.20	2443.20	89.88	61.95	77.02
Montana	3544.80	2443.20	2443.20	89.88	61.95	77.02
Nebraska	4675.80	3516.20	3516.20	118.55	89.15	110.85
Nevada	4468.80	2924.20	2924.20	113.31	74.14	92.19
New Hampshire	3651.80	2616.20	2616.20	92.59	66.33	82.48
New Jersey	3651.80	2682.20	2682.20	92.59	68.01	84.56
New Mexico	3544.80	2443.20	2443.20	89.88	61.95	77.02
New York	4455.80	3173.20	3173.20	112.98	80.46	100.04
North Carolina	3544.80	2443.20	2443.20	89.88	61.95	77.02
North Dakota	3544.80	2443.20	2443.20	89.88	61.95	77.02
Ohio	3544.80	2443.20	2443.20	89.88	61.95	77.02

(table continues)

Table 1, continued

	Benefit Level (State & Federal) + $240 Nonemployment Income Disregard			Benefit Level + $240 Disregard as a Percentage of Poverty Line		
	Couple	Eligible Individual with Ineligible Spouse	Individual	Couple ($3944)	Eligible Individual with Ineligible Spouse ($3944)	Individual ($3172)
Oklahoma	4432.80	2917.20	2917.20	112.39	73.97	91.97
Oregon	3664.80	2587.20	2587.20	92.92	65.60	81.56
Pennsylvania	4128.80	2832.20	2832.20	104.69	71.81	89.29
Rhode Island	4279.80	2833.20	2833.20	108.51	71.84	89.32
South Carolina	3544.80	2443.20	2443.20	89.88	61.95	77.02
South Dakota	3634.80	2533.20	2533.20	92.16	64.23	79.86
Tennessee	3544.80	2443.20	2443.20	89.88	61.95	77.02
Texas	3544.80	2443.20	2443.20	89.88	61.95	77.02
Utah	3604.80	2503.20	2503.20	91.40	63.47	78.92
Vermont	4085.80	2862.20	2862.20	103.60	72.57	90.23
Virginia	3544.80	2443.20	2443.20	89.88	61.95	77.02
Washington	3689.80	3689.20	2718.20	93.55	93.54	85.69
West Virginia	3544.80	2443.20	2443.20	89.88	61.95	77.0
Wisconsin	5094.80	3933.20	3417.20	129.18	99.73	107.73
Wyoming	4024.80	2683.20	2683.20	102.50	68.03	84.59

after SSI to aged couples receiving at a minimum $20 per month in social security and/or other nonemployment income exceeds poverty thresholds in 17 states, which account for 37 percent of all aged couples participating in SSI. Individuals living independently are assured above-poverty-level incomes in 8 states, which account for 36 percent of participating individuals. In contrast, total benefits (as defined) to eligible individuals with ineligible spouses are below poverty thresholds in every state. But this result reflects the presumption that the spouses of eligible individuals who are not yet 65 years old are better able to provide non-SSI income to the couple.

To measure more accurately the maximum potential of SSI in alleviating poverty, a simulation model of SSI eligibility and participation was applied to a nationally representative sample of the aged population, taken from the March 1979 CPS. Income data refer to calendar year 1978. Persons 65 years and older were sorted by type of SSI filing unit, and the eligibility of each filing unit was determined on the basis of reported income.[5] Next, SSI benefits (federal and any state supplement) and total income including SSI were calculated for each filing unit. A poverty count was then conducted by comparing this definition of total income to the appropriate poverty threshold. The results of this exercise are shown in Table 2. They indicate that even if all eligible filing units participated in SSI, 12.5 percent of the aged population would continue to have cash income below poverty-threshold levels. Additional expenditures of $1.3 billion, representing 67 percent of SSI outlays in 1978, would have been required to raise the cash incomes of the remaining poor to poverty thresholds. When interpreting these results it should be remembered that enrollment in SSI often bestows upon

Table 2

Maximum Potential of SSI to Eliminate Poverty
as Compared with Its Actual Performance, 1978:
Simulation Results

	Before Receipt of SSI[a] (1)	After Simulation of Potential[b] (2)	After Actual SSI Receipt (3)
Percentage of aged population with cash income below poverty thresholds	17.2%	12.5%	15.2%
Pre-SSI poverty gap ($ billion)	$3.4	$3.4	$3.4
Poverty gap after disbursement of SSI benefits ($ billion)	—	$1.3	$2.3
Percentage of pre-SSI poor removed from poverty by SSI	--	27%	12%

Source: Calculations by the author from the 1979 March CPS.

[a]This column refers to the situation in 1978 in the absence of SSI.

[b]This column assumes 100 percent participation in SSI, thus showing SSI's maximum potential for alleviating poverty.

[c]This column refers to the actual situation in 1978 after the disbursement of SSI benefits.

its participants eligibility for such secondary programs as Food Stamps and Medicaid. Consequently, the overall antipoverty effectiveness of SSI may be understated by these results. Nevertheless, the results suggest that, in enacting SSI, Congress designed a program to combat poverty among the aged but not one to eliminate it.

THE ACTUAL ANTIPOVERTY EFFECTIVENESS OF SSI

In addition to identifying the boundaries of SSI's maximum potential for alleviating poverty, Table 2 also reports on its actual performance (column 3). In 1978, SSI distributed $2.4 billion to an average monthly caseload of two million aged persons. Average total monthly benefits (federal plus state supplement) equaled $103 (Social Security Bulletin, Annual Statistical Supplement, 1982, pp. 238-240). Almost 30 percent of these benefits were paid to persons whose pre-SSI incomes exceeded poverty thresholds. The remaining 70 percent of total SSI payments were received by persons whose cash incomes less SSI were below poverty thresholds. SSI benefits removed one-third of these recipients from poverty, reducing the overall incidence of poverty among the aged from 17.2 to 15.2 percent. The poverty gap--that is, the amount of expenditures required to raise the incomes of all the poor to poverty thresholds--fell from $3.4 billion to $2.3 billion, a reduction of 32 percent.

The Problem of Nonparticipation

Comparison of columns (2) and (3) of Table 2 suggests that SSI's actual antipoverty effectiveness falls significantly below its potential.

This difference is explained by the phenomenon of nonparticipation. Estimates of the percentage of the aged population who are eligible for SSI and who actually receive SSI payments have consistently ranged between 50 and 70 percent (Warlick, 1982; Coe, 1982; Menefee, Edwards, and Schieber, 1981; Urban Systems Research and Engineering, 1981; U.S. Department of Health, Education and Welfare, 1978). The simulation model described above indicates that participation among the aged was no higher than 57 percent in 1978. It follows that two of every five eligible aged persons did not in that year receive SSI.[6]

Nonparticipation is a perplexing problem which has been the subject of concern and investigation since the program's first year of operation (Report of the SSI Study Group, 1976; U.S. Congress, 1977b). Although the average financial situation of nonparticipants is superior to the pre-SSI position of participants (see Table 3), nonparticipants nevertheless forfeit considerable amounts in unclaimed SSI benefits, as shown in Table 4. Nonparticipants could on average increase their cash incomes by 160 percent through participation. Eight percent, a nontrivial proportion, could double their incomes or better. The increase in total economic well-being is potentially even greater than the numbers in Table 4 suggest, in view of the fact that enrollment in SSI confers upon many participants automatic eligibility for in-kind transfers from the Medicaid and Food Stamp programs.

Research into the conundrum of nonparticipation indicates that the probability of participation rises with the level of available benefits and is higher for younger eligibles with relatively less education living in rural areas and the Southern region of the U.S. (Warlick 1982). But researchers have been unable to determine the extent to which

Table 3

Comparison of Financial Position of Eligible Nonparticipants with the Pre-SSI Position of Participants, 1978

Ratio of Pre-SSI Income to Poverty Line	Percentage Distribution: Participants	Percentage Distribution: Eligible Nonparticipants
Under .25	11.4%	4.4%
.25 to .50	15.9	8.2
.50 to .75	23.5	21.0
.75 to 1.0	15.8	22.5
1.0 to 2.0	18.1	19.0
2.0 and above	15.2	24.8
	100.0%	100.0%
Percentage with pre-SSI income below poverty threshold	66.6	56.2

Source: Calculations by the author from 1979 Current Population Survey.

Table 4

Distribution of Participants and Eligible Nonparticipants
by Size of Total Available Annual Benefits, 1978

Size of Annual Benefit	Percentage Distribution	
	Participants	Eligible Nonparticipants
Under $250	18.5%	22.5%
$250 to $500	9.8	17.2
$500 to $750	8.2	11.4
$750 to $1000	10.6	10.8
$1000 to $1500	21.5	17.1
$1500 to $2000	11.0	9.1
$2000 to $2500	13.5	5.6
$2500 to $3000	3.6	3.3
$3000 to $4000	3.1	2.7
$4000 and above	.2	.3
	100.0%	100.0%
Mean Annual Benefit	$1170	$958

Source: Calculations by the author from the March 1979 Current Population Survey.

nonparticipation is caused by poor information (unawareness of the program's existence, or inadequate or inaccurate information regarding eligibility criteria), the desire to avoid possible stigma associated with welfare receipt, or the inability or unwillingness to deal with bureaucratic procedures.

The subjective, qualitative nature of these factors poses a special obstacle for researchers attempting to quantify their absolute and relative importance. In addition, evidence pertinent to these factors is frequently contradictory. For example, a special survey of households eligible for SSI indicates that 75 percent of nonparticipants attribute their status to informational problems (Coe, 1982). Yet from 1973 to 1976, SSA invested $25 million in outreach programs and other information disseminating activities, to no avail: participation rates were not appreciably altered (Report of the Comptroller General of the United States, 1976). Systematic evaluation of these activities was not undertaken; indeed, for the most part their design prohibited such assessment. This is unfortunate, as the experience could have provided valuable insight into a number of key issues, including: (1) how much program information is optimal for accurate self-diagnosis of eligibility; (2) how effective information dissemination may be in the absence of advocacy; (3) what techniques work best (leaflet, public communication, etc.), and (4) whether limited funds should be directed toward informing a large number of households of the program's availability, or providing advocacy services for a few.

Analyzing the Effect of SSI on Participants

As noted above, not all SSI participants have cash incomes below poverty thresholds before they receive SSI. Similarly, not all pre-SSI-poor recipients are removed from poverty by SSI. Those who are so removed are distinguished from those who are not by several characteristics: state and region of residence, residence within an SMSA, sex of household head, race, type of SSI filing unit, and level of education. This information is summarized in Table 5, which shows for a number of demographic characteristics the percentage of the participating population with incomes below poverty thresholds prior to SSI who are removed from poverty by SSI. The numbers in Table 5 are based on simple cross-tabulations. Because other characteristics are not held constant in the analysis of any single characteristic, the relative importance of a single characteristic cannot be determined. Neither should the data be interpreted to imply causation. Bearing these qualifications in mind, the data in Table 5 suggest that more sophisticated analysis will show that the probability of escaping poverty through SSI rises with residence in the West and Northeast, within an SMSA, and with the educational level of the head of the family. Most likely the educational level varies positively with pre-SSI income and thus negatively with the family's pre-SSI poverty gap. In only eight states (Alaska, California, Connecticut, Delaware, Massachusetts, Minnesota, New York, and Wisconsin) were a majority of pre-SSI-poor participants removed from poverty. With the exceptions of Delaware and Minnesota, these are states whose supplements increase the federal SSI guarantee to above-poverty-threshold levels. The probability of escaping poverty is also likely to be higher

Table 5

Characteristics Which Distinguish SSI Recipients
Lifted Out of Poverty From Those Left in Poverty

Characteristic	Percentage Removed from Poverty	Percentage Left in Poverty	Total
Region of U.S.			
Northeast	46%	55%	100%
Northcentral	25	75	100
South	15	85	100
West	72	28	100
SMSA Status			
Central City	47	53	100
Balance of SMSA	47	53	100
Outside SMSA	21	79	100
Family Headship Status			
Head, no subfamilies	33	67	100
Head with subfamilies	31	69	100
Nonhead	54	46	100
Sex of Family Head			
Male	30	70	100
Female	35	65	100
Race			
White	37	63	100
Black	25	75	100
Other	55	45	100
Type of SSI Filing Unit			
Couple	23	77	100
Individual with ineligible spouse	25	74	100
Individual	34	66	100
Mean Values			
Family head's education (years)	7.9	6.4	—
Census family size	1.34	1.41	—
Family head's age (years)	75.16	75.27	—

Source: Calculations by the author from the March 1979 Current Population Survey.

for SSI recipients living in a household headed by nonrecipients as opposed to those living independently and for individuals rather than couples. Escape appears most unlikely for blacks.

CONCLUSION

If Congress truly wishes SSI to be a program which eliminates poverty among the aged, it must do two things. First it must raise the federal guarantee to a level nearer poverty thresholds in order to increase the income of current participants living in states which have no, or only meager, supplements. Second, it must find ways to increase the rate of participation among current eligibles. The second requirement must be met even if Congress selects the lesser goal of guaranteeing income at levels close to poverty thresholds.

These two requirements are not unrelated. As noted above, past research indicates that raising benefits increases the probability of participation. That is, one possible solution to the problem of nonparticipation is to increase benefit levels. As benefits rise, the probability that the gains from participation will outweigh the costs also rises for a larger percentage of the current population of eligible nonparticipants. But this approach has several drawbacks. First, it does not assure the participation of all eligibles. Second, we do not know which nonparticipating eligibles are most likely to respond by deciding to enroll. The most desirable target group are those nonparticipants in greatest need, i.e., those who currently sacrifice the largest benefits through nonparticipation and whose personal poverty gaps are the greatest. But there is no assurance that it is this subgroup of the nonparticipating eligible population who will be persuaded by rising benefits to enroll. It could be that the response to this policy approach is greatest among nonparticipants at the opposite end of the benefit distribution--those who currently forego relatively small benefits.

A third problem with this policy is that raising the guarantee levels simultaneously raises the SSI break-even levels and expands the eligible population. In an effort to entice current nonparticipants to enroll, this option must offer benefits to persons whose current incomes exceed current eligibility limits. Finally, the cost of this approach may be prohibitive, particularly in view of its limited potential for eliminating all poverty among the aged.

More direct solutions to the problem of nonparticipation should be explored. In view of the fact that a vast majority of nonparticipating eligibles surveyed indicated that informational problems explain their nonenrollment, it is incumbent upon Congress to investigate the potential of outreach and advocacy programs to increase participation. Experimental programs whose primary purpose is to evaluate the efficacy of outreach and advocacy efforts should be implemented for fixed periods of time in several locations across the country. These programs should be carefully designed in such a way that the effectiveness of alternate techniques can be compared and their overall impact measured from a cost-benefit perspective. Funding and implementation of nationwide outreach efforts should be contingent on the results from the experimental programs.

Beyond these measures it may be prudent to recognize the limitations of SSI as a solution to poverty during old age and concentrate instead on the causes of such poverty. Families headed by women and blacks are over-represented among the aged poor (Warlick, 1983). Understanding why this is so, and taking action to increase the pre-SSI incomes of these and other aged persons, could prove to be a more effective solution to poverty during old age than is SSI.

NOTES

[1]The accuracy of these statistics in describing changes in the economic status of the aged through time has been attacked in the literature from two opposing perspectives. According to one view, because the poverty rates cited above are based exclusively on cash income and ignore the contributions to economic well-being of in-kind transfers such as food stamps, Medicare, and public housing, they overstate the true incidence of poverty among the aged (Smeeding 1977; U.S. Congress 1977a; Watts and Skidmore 1977; Hoagland 1982). Inclusion of these in-kind transfers has been shown to reduce poverty among the aged by as much as 74 percent in any one year. In addition, inclusion of in-kind transfers in the definition of incomes apparently increases the rate of poverty reduction over time. Measured over the period since the adjusted (for in-kind transfers) poverty rates first appeared (1972) through the most current estimates (1980), the reduction in poverty appears to be 25 percent (Smeeding 1981). The decline in poverty for the same period, considering cash income only, is 16 percent.

Expressing an opposing view, Moon (1979) argues that poverty rates based on income measures adjusted for in-kind transfers dramatically understate the incidence of poverty in any one year because the measure of needs to which these expanded income measures are compared is not equally comprehensive. Moreover, she concludes that the poverty reduction occurring across time is substantially less pronounced than these statistics indicate. Even so, the progress against poverty among the aged has been substantial since 1959 inasmuch as the oldest of in-kind programs, food stamps, was not available to significant numbers of the aged poor until 1964.

[2]SSI guarantee levels vary by marital status and type of living arrangement. There are six basic categories, or filing unit types: married couples (head and spouse over 65 years) living independently; married couples living in a home headed by another; individuals with ineligible spouses (less than 65 years) living independently; individuals with ineligible spouses living in a home headed by another; single individuals living independently; and single individuals living in another's home. The guarantee for filing units living in homes headed by another is equal to two-thirds of that of units living independently. The benefit for a couple is 150 percent that for an individual. The guarantee for an individual with an ineligible spouse is equal to that for an individual.

[3]The inflation factor is equal to the increase in the average monthly Consumer Price Index (CPI) as measured during the first calendar quarter of each succeeding year.

[4]Later amendments went further, mandating a supplement in cases where OAA recipients would experience a decline in payments under SSI. By 1981 only 2900 persons received the mandatory supplement (Hawkins, 1983).

[5]Eligibility for SSI is contingent on the value of assets as well as on income. Because the CPS does not question respondents about the value of their assets, asset values are imputed to each filing unit under the assumption that income from assets (which is reported) represents a 6.67 percent return on the stock of assets. An asset screen is then applied.

[6]The Urban Systems Research and Engineering study (1981) found that estimates produced by SSA are too high by approximately 17 percent. For

example, the SSA estimate for 1979 was 68 percent. Adjusting for estimated bias relating to the use of the CPS, Urban Systems contends that the actual rate was close to 59 percent.

REFERENCES

Bickle, Gary W., and Wilcock, David. 1974. "The Supplemental Security Income Program: Estimated Impact by State." Washington, D.C.: Bureau of Social Science Research, Inc.

Coe, Richard D. 1982. "Participation in the Supplemental Security Income Program by the Eligible Elderly, 1979." Working paper C-14, Department of Economics, University of Notre Dame.

Hawkins, Sue C. 1983. "SSI: Trends in State Supplementation, 1979-81." Social Security Bulletin 46 (June): 3-8.

Hoagland, G. W. 1982. "The Effectiveness of Current Transfer Programs in Reducing Poverty." In P. M. Sommers, ed., Welfare Reform in America: Perspectives and Prospects (Boston: Kluwer Nijhoff, 1982).

Menefee, John; Edwards, Bea; and Schieber, Sylvester. 1981. "Analysis of Nonparticipation in the SSI Program." Social Security Bulletin 44 (June): 3-20.

Moon, Marilyn L. 1979. "The Incidence of Poverty Among the Aged." Journal of Human Resources 14 (2): 211-221.

Report of the Comptroller General of the United States. 1976. "Efforts Made to Locate and Enroll Potential Recipients of the Supplemental Security Income Program for the Aged, Blind, and Disabled." B-16403(4), HRD-76-105. Washington, D.C.: U.S. Department of Health, Education, and Welfare, Social Security Administration.

Report of the SSI Study Group. 1976. Prepared for the U.S. Department of Health, Education, and Welfare, Social Security Administration. January.

Smeeding, Timothy. 1977. "The Antipoverty Effectiveness of In-Kind Transfers." Journal of Human Resources 12 (Summer): 360-78.

______. 1981. "In-Kind Transfers and the Elderly." Paper presented before the Special Session on Economics and Aging, Annual meetings of the Gerontological Society, Toronto, Canada.

Social Security Bulletin, Annual Statistical Supplement. 1982. Washington, D.C.: U.S. GPO.

Special Analysis of the United States, Fiscal Year 1973. 1972. Washington, D.C.: U.S. GPO.

Urban Systems Research and Engineering. 1981. A Pilot Study of Eligibility and Participation in the Supplemental Security Income Program. Prepared for the U.S. Department of Health and Human Services (Contract No. HHS 600-77-0125).

U.S. Bureau of the Census. 1983. Current Population Reports, series P-60, No. 140, "Money Income and Poverty Statistics of Families and Persons in the United States: 1982" (advance data from the March 1983 CPS). Washington, D.C.: U.S. GPO.

U.S. Congress. 1977a. Congressional Budget Office. Poverty Status of Families under Alternative Definitions of Income. Background paper No. 17. Washington, D.C.: U.S. GPO, June.

______. 1977b. The Supplemental Security Income Program. Report of the Staff to the Committee on Finance, U.S. Senate, 95th Congress, 1st Session. Washington, D.C.: U.S. GPO.

U.S. Department of Health, Education, and Welfare. 1978. "Overview of the Supplemental Security Income Program." Staff paper prepared for the 1978 Social Security Advisory Council. Washington, D.C.: Social Security Administration, Office of Research and Statistics.

Warlick, Jennifer L. 1982. "Participation of the Aged in SSI." Journal of Human Resources 17 (Summer): 235-260.

______. 1983. "Aged Women in Poverty: A Problem Without a Solution?" In Aging and Public Policy: The Politics of Growing Old in America, edited by W. P. Brown and L. K. Olson. Westport, Conn.: Greenwood Press.

Watts, Harold, and Skidmore, Felicity. 1977. "An Update of the Poverty Picture Plus a New Look at Relative Tax Burdens." Focus (Institute for Research on Poverty Newsletter) 2 (Fall): 5-7, 10.