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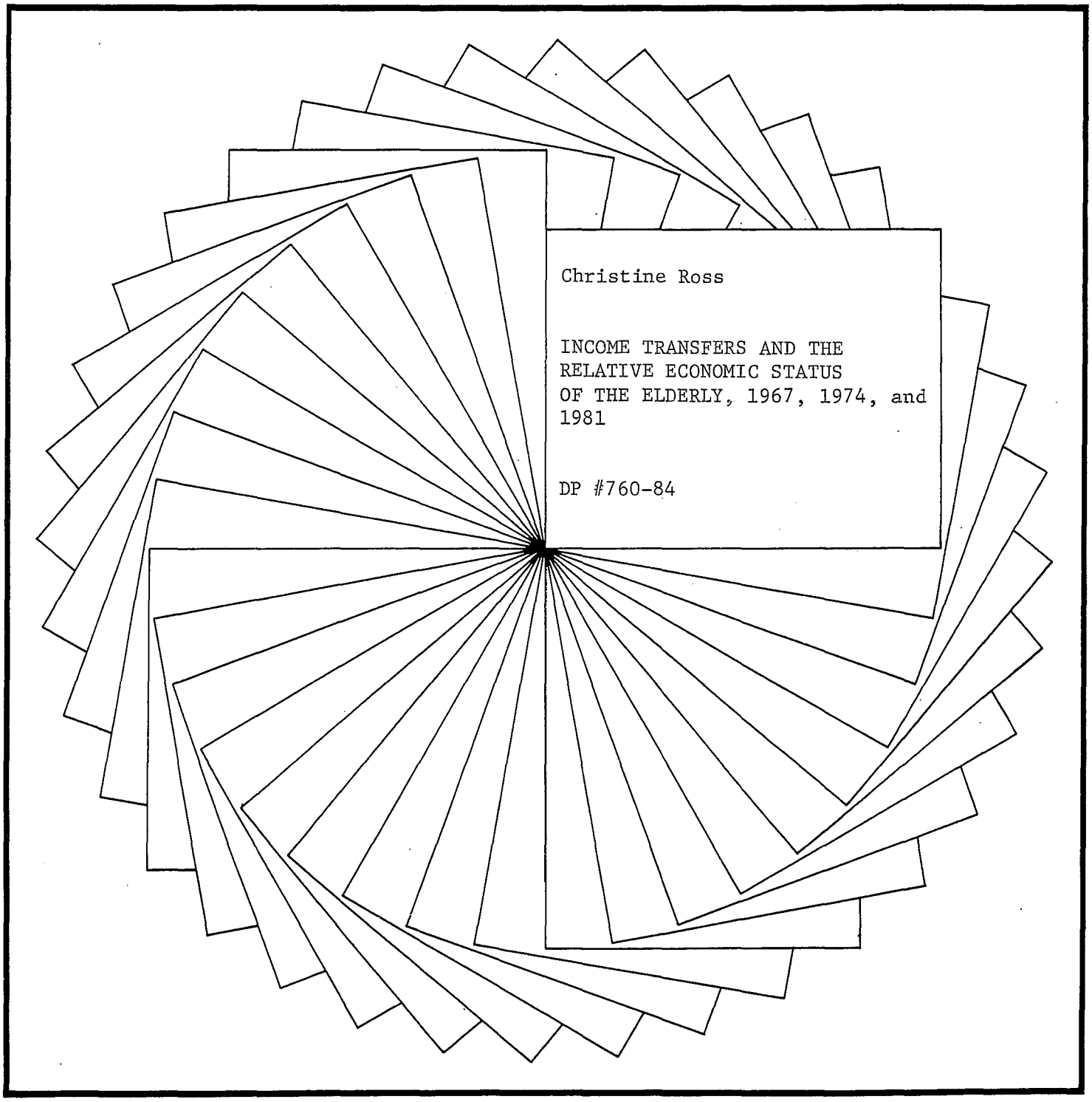

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INCOME TRANSFERS AND THE RELATIVE ECONOMIC STATUS OF THE ELDERLY, 1967, 1974, and 1981

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Abstract

This paper compares the relative economic status of households headed by the elderly in the years 1967, 1974, and 1981. Measures of economic status include mean income relative to needs (the official poverty line), both before and after cash transfers from the government, and the Gini coefficient of the income ratios before and after transfers. Elderly households compared in the paper are defined by the head's sex, race (white/nonwhite) and age (65-69, 70-74, 75-79, 80+). A final section compares the relative importance of four income sources (market income, private pension, social insurance and welfare) in the three years.

The relative economic status of households headed by the elderly is found to be quite varied. In 1981, the average posttransfer income of households headed by white men is three times the poverty line, that of white women and black men is twice the poverty line, and for black women, mean incomes are very close to the poverty line. The less aged of each group are better off in terms of mean income than the more aged. A comparison of Gini coefficients shows that government transfers substantially reduce inequality among elderly-headed households. Posttransfer Gini coefficients for elderly black men and women were lower in 1981 than those for elderly whites. The general trend in mean posttransfer income over the period was an increase between 1967 and 1974, followed by small changes (positive and negative) between 1974 and 1981. A comparison of income sources shows that the importance of market income declined and social insurance increased over the period for all groups. Relative to other groups, welfare and social insurance were important sources of income (in percentage terms) for elderly black women, while market income

was relatively important for white men relative to other groups. In terms of actual income shares, white males (the wealthiest group) received greater amounts of market income and social insurance than other groups, and black women (the poorest group) received larger amounts of welfare.

Income Transfers and the Relative Economic Status of the Elderly, 1967, 1974, and 1981

INTRODUCTION

The elderly are one of the few economically dependent groups perceived by the public to be both in poverty and deserving of consistently generous government cash supplements to remove them from poverty. In previous studies of the economic status of the elderly, Sheldon Danziger and others (1983b) found that the elderly are approximately 90 percent as well off as the nonelderly, using household income standardized by household needs. However, while most elderly households begin with incomes before transfers which are at or near the official poverty line, government transfers raise incomes above the poverty line unevenly. Since the largest sources of cash transfers to the elderly, social insurance, are tied to past contributions, relatively well-off elderly households receive the largest benefits, and poorer households receive much less.

The heterogeneity of the economic circumstances of elderly households leads us to look at the economic status of subgroups of the elderly, defined by race, sex, and age, to determine whether some of these groups merit special attention in transfer policy. Using mean income relative to the poverty lines and the Gini coefficient as measures of economic status, the groups are compared before and after government cash transfers in the years 1967, 1974, and 1981. Data are from the annual March Current Population Survey. In terms of group averages of posttransfer income relative to household needs, the real incomes of all elderly groups improved over the period. However, by the same criterion,

blacks are less well off than whites, women are less well off than men, and the more aged are less well off than the less aged.

The first section is an overview of government transfer policies that apply to the elderly, and the second section reviews techniques and problems in studying the economic status of the elderly. Section three discusses the data and measures of economic status used in this paper. Section four describes average income-to-needs ratios and the Gini coefficients for pretransfer and posttransfer incomes of the elderly groups. The next section describes the sources of income of each group: market income, private pensions, social insurance, and welfare. Emphasis is placed on trends over the period and current status. The final section concludes the paper.

INCOME TRANSFER PROGRAMS FOR THE ELDERLY*

Cash transfer programs by the government are important in lifting many elderly households above the official poverty lines. For example, in 1981, the most recent year analyzed, pretransfer poverty among all elderly households was 56.9 percent, while after cash transfers, the poverty rate for households headed by the elderly was 15.4 percent. The elderly on average have a much greater incidence of pretransfer poverty than the nonelderly, but a much lower incidence of posttransfer poverty. This section describes the cash transfer programs for which the elderly are eligible.

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*The material in this section is based on longer discussions of the institutional and theoretical analysis of government transfer programs in Boadway and Wildasin (1984) and Danziger and Plotnick (1981), to which the reader is referred for a fuller treatment of these issues.

Cash transfer programs are designed to redistribute income or as social insurance, or for both purposes. The largest cash transfer program, the Old Age, Survivor's, Disability, and Health Insurance programs (social security), contains elements of both. As a social insurance program, it insures the individual against several uncertainties: disability, length of life, and income decline at retirement. As a redistributive program, it transfers income between generations and within generations. The intergenerational transfers arise because the system is financed on a "pay as you go" basis. Current workers pay benefits to the currently retired. Intragenerational transfers arise from the structure of individual contributions and benefits. Contributions are made by the employer and employee as a flat percentage of the employee's earnings, up to some limit ($2762.10 was the limit on employee contributions in 1981), above which contributions remain the same regardless of income. On the benefit side, there is a minimum benefit level, after which benefits rise as a declining percentage of past earnings. The net effect is a tendency to redistribute, within a given age group, toward those with low earnings. The size of the benefit received is also a function of current earnings, marital status, the number of children under 18, and the labor force participation of the spouse.

A cash transfer program that is purely redistributive is Supplemental Security Income (SSI). This program was enacted in 1972 to replace Old Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled. It is a means-tested cash benefit program for the aged.

Finally, there are other cash transfer programs for which an aged person with demonstrated financial need may be eligible. These include state and local public assistance programs.

During the 1970s, social security and SSI were indexed to the cost of living, which grew faster than wages. Thus these programs maintained real levels of income support for the elderly through the 1970s, even over those years during wich real wages fell.

Nevertheless, these income supplements do not reach all of the elderly. Warlick (1982) discusses the effects of complex administration, lack of information, and stigma on participation in the SSI program, in an effort to explain why only 50 percent of those eligible for SSI benefits in 1974 actually claimed them. And among recipients of all transfer programs, benefits are distributed unevenly, chiefly because the benefit structure of the largest program, social security, is tied to past earnings.

PROBLEMS IN MEASURING THE ECONOMIC STATUS OF THE ELDERLY

Previous studies by Sheldon Danziger, Jacques van der Gaag, Eugene Smolensky, and Michael Taussig (DVST) have found that the elderly are approximately 90 percent as well off as the nonelderly on an equivalent adult income or consumption basis (1983a and 1983b). These studies used data from 1973 and did not include any in-kind benefits received by the elderly. Timothy Smeeding (1982) found that the elderly have gained disproportionately from increases in in-kind benefits in recent years. Therefore, DVST concluded that the elderly are currently as well off, on average, as the nonelderly.

This paper is similar in some respects to these previous analyses, but looks at more detailed subgroups of the elderly. The average economic status of the elderly masks a great deal of variation among

these subgroups in both the average levels and the distributions of incomes. This supports Joseph Quinn's theme (1983) that summary income statistics on the elderly hide a variety of individual circumstances that are important to economic well-being. Quinn discusses a variety of limitations of the basic data (for example, the exclusion of assets and in-kind transfers) and the definitions of poverty and basic household needs and also argues for a look beyond the summary means and Gini coefficients computed from that data. By comparing the economic status of the subgroups of the elderly by race, sex, and age, using summary means and Gini coefficients, this paper attempts to strike a balance between the information to be gained from further disaggregation, and the need to make the data comprehensible through the use of summary statistics.

There are a number of theoretically sound conceptual measures of economic status. The DVST study, "Income Transfers and the Economic Status of the Elderly," describes the results of using several of these measures to compare the elderly to the nonelderly. Conceptual measures include income before and after taxes, wealth, and consumption. There were a number of arguments for choosing particular measures from among those listed above. For example, the elderly are known to hold more assets and durable goods, including their homes, than the nonelderly. This point argued for use of consumption data to compare levels of well-being. Furthermore, the elderly on average pay lower taxes than the nonelderly, so a measure of income after taxes was also used. Finally, income after taxes but before transfers was a third income definition used in the study. The measures of comparative economic status--the mean and distribution of incomes--were found, however, not to be very sensitive to these choices of income concept.

This paper focuses on measuring the relative economic status of households headed by the elderly, both before and after government cash transfers, over a period of time. It is possible to study a relatively long time period, 1967 to the present, by using Current Population Survey data. However, CPS data neglect some significant aspects of the economic status of the elderly. As argued above, the elderly tend to be asset-rich relative to the nonelderly. Although CPS data contain a measure of income from property, this income is often underreported and excludes the value of services from durable goods, the most important of which is owner-occupied housing. Measures of the relative economic status of the elderly derived from that data are therefore biased downward. Since the elderly tend to pay less in taxes than the nonelderly, a measure of income after taxes is preferable to pretax measures used here, but the data on tax liabilities are not available on the CPS. However, an imputation method for estimating after-tax incomes does exist, and the results of using this income measure will be explored in a future paper. Finally, the elderly receive a large amount of in-kind benefits, demonstrated by Smeeding (1982) to be quite important. The CPS data did not measure these until very recently, so again, measures of the economic status of the elderly, based on money income before taxes and before and after cash transfers, will tend to be biased downward.

Pretransfer income is defined in this paper as income from private sources, such as labor earnings, property income and interest, income from private pensions, and farm income. It does not include the value of assets. Government transfers include cash payments from social security, public pensions, SSI, public assistance programs, and the various compensation programs: Workmen's Compensation, Unemployment Insurance, and

veterans' benefits. The value of in-kind benefits is not included. Pretransfer income combined with government cash transfers forms the measure of posttransfer income used in this paper.

To compare incomes across households, measured household income should be adjusted by some notion of household needs. The rationale for any such adjustment is that the amount of income needed by a household to attain a given level of well-being may vary by household size, age of its members, sex and age of head, health status, and many other circumstances. A number of theories exist about whether and how adjustments for different household characteristics should be made.

One approach would be to make no adjustments at all, but simply to compare household incomes on the grounds that people choose the size and composition of their households in a way that maximizes satisfaction. Another adjustment, per capita income, would account only for differing household sizes, but would ignore the fact that household needs differ by characteristics of their members or that there are economies of scale with respect to household size.

The official poverty threshold adjusts for family size, age and sex of the household head, and the number of children under 18 years old. The poverty threshold in 1981 for a household of one person under age 65 was $4620, while for a family of four with two children under 18, the threshold was $9218. The poverty lines are adjusted annually based on changes in the Consumer Price Index (CPI). Dividing household income by the corresponding poverty line, therefore, represents a measure of real income which is comparable across time periods as well as across households of varying characteristics. Table 1 of the Appendix contains

weighted average poverty thresholds for families of differing sizes for the years 1967, 1974, and 1981 for reference.

DVST employ an alternative equivalence scale, which they call "constant utility," based on the theoretical framework of the Extended Linear Expenditure System (see van der Gaag and Smolensky, 1982). The constant-utility equivalence scale is based on consumption of all commodities, while the official poverty line is based only on food consumption.

DVST found that the comparative measures of the economic status of the elderly were very sensitive to adjustments made for the recipient unit. The elderly were only 60 percent as well off as the nonelderly when no adjustments were made for household size or characteristics, but were approximately 90 percent as well off as the nonelderly when either their own equivalence scale or the official scale was used. This paper uses the official poverty line as the equivalence scale.

Finally, this paper compares incomes before and after government cash transfers to measure the effect of those transfers on the relative economic status of the elderly. However, it should be recognized that pretransfer income is not an entirely accurate measure of household income in the absence of government transfers, as it has been demonstrated that there are labor supply responses to various transfer programs (Danziger, Haveman, and Plotnick, 1981). The behavioral responses to government transfers tend to reduce market incomes below the levels that would occur in the absence of these programs. Several studies have focused specifically on the labor supply response of the elderly to social security. Gary Burtless and Robert Moffitt, in a study of the joint choice of retirement age and post-retirement work hours,

found little effect of the social security "earnings test" on work. However, they reported a significant income effect of social security benefits that reduces both hours of working retirees and the fraction of retirees who work. Their article includes an extensive list of earlier studies of social security and the labor supply behavior of elderly men (Burtless and Moffitt, 1984). Previous studies, which have investigated the timing of retirement, post-retirement work, or both, have found disincentive effects of social security on labor supply, though the magnitudes of the estimated effects differ greatly.

MEASURES OF ECONOMIC STATUS USED IN THIS PAPER

All income measures used in this paper are household incomes divided by the corresponding official poverty threshold. Thus, a figure of .88 means that the household receives 88 percent of the level of income needed to reach the poverty threshold. Any household with a ratio below 1.0 would be officially classified as "poor." Likewise, a figure of 2.0 means that the household receives twice the level of income corresponding to its official poverty line.

Table 1 contains average incomes and average incomes relative to needs for the elderly and nonelderly classified by sex and race of the head in 1967, 1974, and 1981. While average incomes rose for all groups in each period, average incomes relative to needs did not. It should be noted that changes in the incomes of all demographic groups studied here were generated in part by contemporaneous macroeconomic conditions. In the first year, 1967, the unemployment rate was 3.8 percent. In 1974, unemployment was 5.6 percent, but the economy was nevertheless considered

Table 1

Comparison of Average Posttransfer Income, and Income-to-Needs Ratio of Households Headed by Nonelderly and Elderly, 1967, 1974, 1981

Household Head	Average Posttransfer Income[a]		
	1967	1974	1981
White Men			
21-64	$9,717	$15,626	$27,437
65+	5,225	9,172	18,477
White Women			
21-64	4,512	7,253	12,711
65+	2,953	5,038	9,323
Black Men			
21-64	6,594	11,336	20,491
65+	3,104	6,108	11,038
Black Women			
21-64	3,166	5,352	9,458
65+	2,163	3,536	6,009
	Posttransfer Income-to-Needs Ratio		
	1967	1974	1981
White Men			
21-64	3.37	3.70	3.74
65+	2.56	2.98	3.27
White Women			
21-64	2.24	2.38	2.25
65+	1.67	1.95	2.00
Black Men			
21-64	2.24	2.68	2.68
65+	1.37	1.79	1.75
Black Women			
21-64	1.28	1.45	1.42
65+	1.04	1.17	1.22

[a]Current dollars. The Consumer Price Index was 100.0 in 1967, 147.7 in 1974, and 272.4 in 1981 (1967 = 100).

to be "close to full employment." The last year, however, was one of mild recession, and the unemployment rate stood at 7.6 percent.

In addition to comparing the mean income levels of subgroups of the elderly, the Gini coefficient will be used as a summary measure of the variation in incomes within a group. It ranges from zero, which implies all incomes are equal within the group, to a value of one, which implies that one household receives the entire aggregate income. An interpretation of the Gini coefficient offered by A.B. Atkinson (1975) is as follows: Choose two households at random from the population. The expected value of the difference in their incomes relative to the average income of the group is, in general, twice the Gini coefficient. Thus, if the Gini coefficient is .350, and we select two households at random from the population, then the expected value of the difference in their incomes, as a percentage of the mean income of the group, is .70.

COMPARING PRETRANSFER AND POSTTRANSFER INCOMES OF THE ELDERLY

Income-to-Needs Ratios

The average levels of adult equivalent posttransfer income in 1981 among groups of the elderly were higher for the less aged than for the more aged groups, and higher for white men than for blacks and women. The same pattern was true of incomes before transfers for these groups. Furthermore, the difference between pretransfer and posttransfer incomes was greater for the elderly than for the nonelderly. Table 2 reports pretransfer and posttransfer income-to-needs ratios of the nonelderly and the elderly by race, sex, and age in 1981. The difference between pre- and posttransfer ratios and the percentage change due to government cash

Table 2

Average Pretransfer and Posttransfer Income-to-Needs Ratios and Percentage Change Due to Transfers, Nonelderly and Elderly by Race, Sex, and Age, 1981

Household Head	Pretransfer Ratio (1)	Posttransfer Ratio (2)	Col. 2-Col. 1 Difference (3)	% Change[a] (4)
White Men				
21-64	3.57	3.74	0.17	4.8
65-69	2.40	3.72	1.32	55.0
70-74	1.77	3.24	1.47	83.1
75-79	1.47	2.95	1.48	100.7
80+	1.31	2.66	1.35	103.1
White Women				
21-64	2.04	2.25	0.21	10.3
65-69	1.21	2.27	1.06	87.6
70-74	0.95	2.08	1.13	119.0
75-79	0.76	1.89	1.13	148.7
80+	0.75	1.78	1.03	137.3
Black Men				
21-64	2.52	2.68	0.16	6.4
65-74	0.77	1.81	1.04	135.1
75+	0.60	1.61	1.01	168.3
Black Women				
21-64	1.16	1.42	0.26	22.4
65-74	0.30	1.21	0.91	303.3
75+	0.35	1.22	0.87	248.6

[a]Defined as difference in column 3 divided by pretransfer ratio in column 1 times 100.

transfers are included in order to compare the relative effect of government cash transfer programs on the levels of average income-to-needs of the various groups. This table, and those that follow, look separately at households headed by elderly white men and women, ages 65-69, 70-74, 75-79, and over 80. Owing to the small size of the sample of households headed by elderly black men and women, however, the age groups analyzed are 65-74 and over 75.

Returning to Table 2 and the percentage change in incomes, we see that government cash transfers are a much more important income supplement on average for the elderly than for the nonelderly. The average incomes of the nonelderly are boosted by 5-22 percent by transfers; those of the elderly by 55-300 percent. The groups which seem to be helped most by government transfers, in terms of the percentage increase in average income, are both groups of elderly black women, whose incomes are increased 250-300 percent by transfers. Less striking, but substantial amounts of assistance in percentage terms are given to elderly black men and the most elderly (75 and over) groups of white women, who on average receive supplements of approximately 150 percent of their current pretransfer incomes.

However, expressing government transfers as a percentage of average pretransfer income for the group obscures the fact that, in many cases, these transfers are building on very small income bases. For example, the pretransfer income of households headed by black women is, on average, one-third of their poverty thresholds. The average pretransfer incomes of households headed by elderly black men and by white women over 70 are also below the poverty lines. Mean incomes for these groups range from 60 to 95 percent of the poverty thresholds. Since one of the stated

goals of government transfer programs like SSI is to remove the elderly from poverty (in terms of the official definition, which uses the poverty threshold as a cutoff), we would expect to see sizable transfers going to groups which, on average, are below the poverty lines before these supplements are made. Nevertheless, the very poor are not the only households receiving large transfers. Other income supplement programs, like social security and public pensions, offer benefits that depend upon past contributions. We would therefore expect groups with longer and more lucrative prior labor market experience also to receive sizable transfers from the government.

Thus, it is useful to look at the absolute differences between average adult equivalent household incomes before and after transfers for each group (column 3 in Table 2). Again, we see that the incomes of the elderly are boosted much more, on average, than those of the nonelderly. But we also see, in variance to the conclusions based on percentage changes, that the average incomes of households headed by white men are supplemented more in absolute terms by government cash transfers than are the average incomes of those headed by blacks and women. Specifically, the difference between the pre- and posttransfer incomes of elderly white men is approximately 1.40; for blacks and women the difference is approximately 0.9 to 1.13.

The mean income after cash transfers but before taxes of each of the groups of households headed by the elderly is above the poverty line. (Recall that in-kind benefits are not measured as income here, so that the mean income of any group may be understated.) Nevertheless, there is a great deal of variation in mean levels of posttransfer income among these groups. Households headed by elderly black women had an average

level of posttransfer income in 1981 which was 20 percent above the poverty thresholds. The mean incomes of elderly black men and of white women over 70 were one and one-half to two times the poverty threshold after transfers. At the same time, households headed by white men under 80 received income which on average was a comfortable 3.0 to 3.70 times the poverty threshold.

Comparing the income ratios of the elderly to those of the nonelderly within each group defined by race and sex, we find, in the case of white and black men, very sharp discrepancies between the posttransfer ratios of the nonelderly and those of the most aged. In both cases, the difference is approximately 1.0. For white women, the difference between the nonelderly and the most aged is approximately 0.5. For black women, posttransfer incomes are uniformly low, so that the difference in ratios between young and old is about 0.2.

While we find a great deal of variation in the posttransfer incomes of the elderly groups by age, sex, and race, it is also true that incomes vary among groups of the nonelderly by race and sex. The fact that such variation exists among both the elderly and the nonelderly helps to generate the result of earlier studies that the elderly are about 90 percent as well off as the nonelderly. We find that the mean incomes of aged black women are low compared to those of aged white men, but it is also the case that the mean income of nonelderly black women is low compared to the mean income of nonelderly white men.

Thus, within the primary elderly groups, defined by race and sex, the most aged subgroups have the lowest posttransfer incomes. Among these groups, elderly white men are most well-off in terms of average posttransfer income. The income-to-needs ratios of the four subgroups of

elderly white men ranged from 2.66 to 3.72 in 1981. Elderly black women are the least well off, with incomes 20 percent above the poverty lines after government cash transfers. The incomes of black men and white women lie between these extremes, at one and one-half to two times the poverty threshold. We have also seen that the variation in incomes of the elderly by race and sex (but not age) reflects a similar variation in incomes among the nonelderly, grouped by race and sex of household head.

In 1981 government cash transfers were a significant source of income to the elderly, raising many of them above the poverty line and providing generous income supplements to others. It is helpful to put this observation into a recent historical context by looking at data from earlier years. Table 3 shows mean posttransfer income-to-needs ratios for the nonelderly and for the elderly by race, sex, and age in the years 1967, 1974, and 1981. Table 4 displays the difference between pre- and posttransfer income-to-needs ratios for the same three years.

The average posttransfer incomes of all elderly and nonelderly groups increased in real terms between 1967 and 1981, although in the latter half of the period, 1974 to 1981, the changes were smaller or negative for all groups. This may in part be a reflection of the economic conditions of those years.

Although the posttransfer incomes of all groups increased more dramatically between 1967 and 1974 than in the later period, those increases were greater, in percentage terms, for some groups than for others. The real incomes of the elderly increased more than those of the nonelderly between 1967 and 1981. And within each primary demographic group defined by race and sex, the real incomes of the most aged subgroups increased faster, in percentage terms, than the incomes of the less aged subgroups.

Table 3

Mean Posttransfer Income-to-Needs Ratios of Households Headed by Nonelderly and Elderly, 1967, 1974, 1981

Household Head	Mean Posttransfer Ratio			% Change, 1967-1981	% Change, 1974-1981
	1967	1974	1981		
White Men					
21-64	3.37	3.70	3.74	11.0	1.1
65-69	3.10	3.39	3.72	20.0	9.7
70-74	2.51	2.82	3.24	29.1	14.9
75-79	2.16	2.66	2.95	36.6	10.9
80+	1.73	2.58	2.66	53.8	3.1
White Women					
21-64	2.24	2.38	2.25	0.4	-5.5
65-69	1.94	2.24	2.27	17.0	1.3
70-74	1.71	1.98	2.08	21.6	5.1
75-79	1.47	1.80	1.89	28.6	5.0
80+	1.46	1.71	1.78	21.9	4.1
Black Men					
21-64	2.24	2.68	2.68	19.6	0
65-74	1.51	1.96	1.81	19.9	-7.7
75+	1.05	1.36	1.61	53.3	18.4
Black Women					
21-64	1.28	1.45	1.42	10.9	-2.1
65-74	1.11	1.22	1.21	9.0	-0.8
75+	0.94	1.09	1.22	29.8	11.9

Table 4

Absolute Difference between Mean Pretransfer and Posttransfer Income-to-Needs Ratios of Households Headed by Nonelderly and Elderly, 1967, 1974, 1981

Household Head	Difference Between Pretransfer, Posttransfer Ratios		
	1967	1974	1981
White Men			
21-64	0.08	0.15	0.17
65-69	0.68	1.13	1.32
70-74	0.98	1.32	1.47
75-79	0.95	1.38	1.48
80+	0.83	1.29	1.35
White Women			
21-64	0.20	0.27	0.21
65-69	0.65	1.02	1.06
70-74	0.69	1.08	1.13
75-79	0.66	1.02	1.13
80+	0.60	0.97	1.03
Black Men			
21-64	0.07	0.15	0.16
65-75	0.60	0.95	1.04
75+	0.71	1.02	1.01
Black Women			
21-64	0.22	0.31	0.26
65-74	0.62	0.84	0.91
75+	0.57	0.82	0.87

This tended to narrow the gap between the incomes of the youngest and oldest of the elderly, which existed at the beginning of the period. The difference in income between the most and least aged of each primary demographic group narrowed because of greater income gains by the more aged subgroups, if we look at changes over the period 1967 to 1981 as a whole. The greatest income gains over the period 1967 to 1981, of 53 percent, were by the most aged white and black men. For the most elderly women of both races, the largest growth in income was approximately 30 percent. The slowest growth in income, for the least aged groups of white men and women and black men, was approximately 15 percent. The least aged group of black women had much lower income growth over the period, 9 percent.

Income changes between 1974 and 1981 present a more mixed picture than the entire 1967 to 1981 period. The real incomes of nonelderly women of both races fell between 1974 and 1981. Those of nonelderly men increased little or not at all. The incomes of several elderly groups increased by over 10 percent, including the most aged black men and women, and white men between ages 70 and 79. There were increases of less than 10 percent in the real income of all other aged groups, except the least aged groups of black men and women. In sharp contrast to the relatively large increases in income enjoyed by the most aged groups of black men and women, the less aged groups saw decreases in real income between 1974 and 1981.

Within each demographic group defined by race and sex, the largest percentage gains in real income went to the poorest age subgroups. Overall, however, there was no tendency to boost the incomes of the poorest groups. The group that was most well-off in 1967, white men

65-69, had an income-to-needs ratio of 3.10. In 1981 this group earned 3.72, on average. The poorest group in 1967 was the most elderly black women, with average incomes below the poverty thresholds at .94. Their mean income grew to 1.22 by 1981. The difference between these wealthiest and poorest groups in 1967 was 2.2. In 1981, these groups were still the wealthiest and poorest, but the gap between their mean incomes had grown to 2.5.

In 1967, the average posttransfer incomes of three groups were quite close to the poverty line. Black men over 75 had an income-to-needs ratio of 1.05. For black women 65 to 74, it was 1.11, and as we have seen, for black women over 75, income-to-needs was .94. The most aged group of black men had the largest percentage growth in real income between 1967 and 1981, at 53 percent, so by the end of the period, their income was 1.61. The growth in income for elderly black women was not as dramatic. By 1981, the average posttransfer income-to-needs ratio was 1.2 for both groups of black women over 65, a figure very close to the poverty threshold.

The differences between pretransfer and posttransfer incomes of each group, shown in Table 4, emphasizes the extent to which each group received income support from the government either in welfare or in social insurance in each of the three years. The elderly receive more in transfers than the nonelderly, and nonelderly women receive more than nonelderly men. No doubt, the preservation of work incentives among the nonelderly is at work here. Among the elderly, within groups defined by race, elderly men generally receive greater transfers than do elderly women, due largely to the link between social insurance benefits and past contributions, which reflect labor force participation. These transfers

build on small bases for most groups of the elderly. The pretransfer incomes of elderly black men and women and the most elderly groups of white men and women were below or very close to the poverty thresholds in all three years. The pretransfer income-to-needs ratios for the elderly and nonelderly in 1967, 1974, and 1981 are shown in Appendix Table 2. Appendix Table 3 gives the posttransfer income-to-needs ratios for elderly and nonelderly in the same three years.

Transfers increased in real terms for all elderly groups between 1967 and 1974, and again between 1974 and 1981. The largest transfers in each period were received by white men over 70. In 1967, the three subgroups of white men over 70 received in transfers .8 to 1.0 (expressed as income to the poverty line). Most other groups received approximately .6. In 1981, the discrepancy persisted, with white men over 65 receiving 1.3 to 1.5 in transfers and most other groups receiving .9 to 1.2.

Thus, we have found that while the real posttransfer incomes of all groups increased between 1967 and 1981, and while these increases lifted the average posttransfer incomes of all groups above the poverty line by 1974, the gains during the period to particular groups were mixed. Elderly white men earned the highest incomes and received the largest transfers, on average, in 1967, while the incomes of all other elderly groups lagged behind. This pattern continued to hold both in 1974 and 1981, with but one variation. The incomes of elderly black women, and the transfers received by them on average, increased at a slower rate than those of elderly black men and white women. By 1981, the posttransfer incomes and levels of government transfers received by elderly white men were still above those of any other elderly group. But now the ratios of income to needs of elderly black men and white women

ranged from 1.6 to 2.3, a significant distance above the incomes of elderly black women. The poorest group in 1981, elderly black women, earned an average income relative to needs of 1.2. Over the period, cash transfers by the government became a more important source of income to all groups. The poorest groups were lifted above the poverty line by these transfers by 1974 and remained so in 1981, but the largest transfers throughout the period continued to go to the groups with the highest pretransfer incomes.

Within each primary demographic group defined by race and sex, the differences in posttransfer incomes among the age subgroups diminished between 1967 and 1981. At the same time, the gap between the posttransfer incomes of the wealthiest group (least aged white men) and the poorest group (elderly black women) increased over the period.

The second criterion used to compare the economic well-being of groups of the elderly is the Gini coefficient, the measure of inequality of the income distribution of the group. If the Gini coefficient is close to zero, then incomes are relatively equal. If the Gini is close to one, incomes of households in the group are relatively unequal. Since the Gini coefficient is a measure of variation of household incomes around the group's mean, a high Gini coefficient should cause us to modify any conclusions about the relative economic well-being of various groups that are based upon levels of mean incomes.

Gini Coefficients

Gini coefficients for pretransfer and posttransfer incomes of all groups in 1981 are shown in Table 5. The large variation in labor force participation and receipt of pensions and property incomes by elderly

Table 5

Gini Coefficients of Pre- and Posttransfer Incomes Relative to Needs, Elderly and Nonelderly, 1981

Household Head	Pretransfer	Posttransfer	% Change
White Men			
21-64	.374	.349	-6.7
65-69	.591	.385	-34.9
70-74	.644	.393	-39.0
75-79	.670	.394	-41.2
80+	.688	.393	-42.9
White Women			
21-64	.469	.405	-13.6
65-69	.659	.393	-40.4
70-74	.713	.388	-45.6
75-79	.752	.377	-49.9
80+	.769	.389	-49.4
Black Men			
21-64	.414	.375	-9.4
65-75	.702	.344	-51.0
75+	.769	.352	-54.2
Black Women			
21-64	.606	.459	-24.3
65-74	.822	.333	-59.5
75+	.911	.362	-60.3

households contributes to the great degree of inequality of incomes indicated by the Gini coefficients for the pretransfer income of each group. The effect of social insurance and cash welfare programs is to make the incomes of households in a given group more equal. Again, pretransfer income in the presence of transfer programs may be lower for some than in the absence of those programs, owing to labor supply and other behavioral responses. Therefore, the pretransfer Gini may be higher when these programs are available than when they are absent.

A comparison shows that pretransfer income inequality is not nearly as marked for the nonelderly as for the elderly. This reflects the fact that the nonelderly are more likely to have labor income than are the elderly, who are heavily dependent upon transfers. The decrease in inequality after transfers may indicate that transfers are distributed more equally, at least among the elderly, than labor income. We also see from Table 5 that transfers reduce income inequality more substantially among the elderly than among the nonelderly.

Because many transfer programs offer income support while trying to preserve work incentives for the nonaged, we find that the posttransfer Gini coefficients for the nonelderly are larger than those of the elderly for all cases except white men. The changes in the Ginis due to transfers may reflect the smaller antipoverty effect of welfare relative to social insurance. Thus, income transfers do not work as vigorously to remove the nonelderly from poverty as the elderly. Taking black women as an example, the pretransfer Gini for the least aged is .822, and for the most aged it is .911. Adding transfers, we find posttransfer Gini coefficients of .333 and .362 for the younger and older groups, respectively. This is quite a large reduction in pretransfer income inequality. Contrast this to

the nonaged black women. With a pretransfer Gini coefficient of .606, there is a great deal of inequality of incomes among this group but not nearly as much as for their aged counterparts. Government transfers reduce the Gini coefficient to .459, a figure reflecting much more posttransfer income inequality than exists among households headed by aged black women. A similar pattern can be seen by looking at the pretransfer and posttransfer Gini coefficients of black men and white women.

Comparing elderly groups, we find that the pretransfer Gini coefficients for the less aged groups are lower than those for the more aged groups. This may simply reflect the growing separation of household heads from the labor market as they become older. It is also evident that pretransfer income inequality is not as great among white men as among white women and black men, and it is extremely high among black women. White men have the strongest and most lucrative ties to the labor market, making it more likely that many of them can save adequate funds for their retirement. For the other groups, it is less common to have saved enough for consumption over the retirement period, as labor market experience can be uneven, not very remunerative or, considering the case of some widows or female household heads, nonexistent. However, looking at the Gini coefficients for posttransfer incomes, we see that income inequality is lower for aged black men and women (at .333 to .362) than for white men and women (ranging from .377 to .393). Thus, we see that, among the elderly, government transfers make the most unequal pretransfer incomes into the most equal posttransfer incomes. This may reflect the fact that the transfers remove many households from pretransfer poverty, on the one hand, while on the other hand, incomes among even retired white men and women can be quite high.

Turning next to the trend in inequality since 1967, Table 6 shows the pretransfer and posttransfer Gini coefficients for the nonaged and the aged in the years 1967, 1974, and 1981. Again, we see that in all three years pretransfer inequality is much higher for the aged than for the nonaged, but for many groups, transfers generate more equal incomes for the aged than for the nonaged. Surveying each group of the elderly over the period reveals no consistent trend in the pattern of changes in income inequality. The economic status of the elderly, as measured by the Gini coefficient between 1967 and 1981, is mixed. What is consistent is that income transfers by the government lead to greater posttransfer income equality for all groups throughout the period. What is not consistent is the extent to which inequality was reduced by government transfers in each year, and the trend in posttransfer inequality for each group over the period. In 1967 posttransfer income inequality was greatest for all elderly groups of white women, and lowest for the elderly black groups in general, and for the eldest black men in particular. As noted in an earlier discussion, by 1981, posttransfer inequality was lowest, again, for black groups in general and for least aged blacks in particular. While levels of inequality for all elderly white groups in 1981 were very similar, they were in all cases lower than the 1967 levels.

As we saw in the section on the trend in mean incomes, we again see some gains in economic well-being between 1967 and 1974 which are checked (or reversed) between 1974 and 1981. For example, the posttransfer Gini coefficients for all elderly white male groups except the most aged declined between 1967 and 1974 by an average of .046, but

Table 6

Gini Coefficients of Pre- and Posttransfer Incomes Relative to Needs, Elderly and Nonelderly, 1967, 1974, 1981

Household Head	1967		1974		1981	
	Pretransfer	Posttransfer	Pretransfer	Posttransfer	Pretransfer	Posttransfer
White Men						
21-64	.338	.327	.352	.331	.374	.349
65-69	.587	.431	.592	.387	.591	.385
70-74	.685	.416	.641	.386	.644	.393
75-79	.734	.431	.673	.367	.670	.394
80+	.742	.414	.766	.432	.688	.393
White Women						
21-64	.484	.426	.495	.415	.469	.405
65-69	.682	.464	.677	.393	.659	.393
70-74	.726	.446	.734	.390	.713	.388
75-79	.775	.453	.740	.363	.752	.377
80+	.762	.491	.763	.391	.769	.389
Black Men						
21-64	.392	.375	.406	.368	.414	.375
65-75	.699	.403	.706	.398	.702	.344
75+	.814	.330	.744	.256	.769	.352
Black Women						
21-64	.573	.439	.626	.456	.606	.459
65-74	.773	.405	.816	.328	.822	.333
75+	.782	.380	.870	.280	.911	.362

Turning next to the trend in inequality since 1967, Table 6 shows the pretransfer and posttransfer Gini coefficients for the nonaged and the aged in the years 1967, 1974, and 1981. Again, we see that in all three years pretransfer inequality is much higher for the aged than for the nonaged, but for many groups, transfers generate more equal incomes for the aged than for the nonaged. Surveying each group of the elderly over the period reveals no consistent trend in the pattern of changes in income inequality. The economic status of the elderly, as measured by the Gini coefficient between 1967 and 1981, is mixed. What is consistent is that income transfers by the government lead to greater posttransfer income equality for all groups throughout the period. What is not consistent is the extent to which inequality was reduced by government transfers in each year, and the trend in posttransfer inequality for each group over the period. In 1967 posttransfer income inequality was greatest for all elderly groups of white women, and lowest for the elderly black groups in general, and for the eldest black men in particular. As noted in an earlier discussion, by 1981, posttransfer inequality was lowest, again, for black groups in general and for least aged blacks in particular. While levels of inequality for all elderly white groups in 1981 were very similar, they were in all cases lower than the 1967 levels.

As we saw in the section on the trend in mean incomes, we again see some gains in economic well-being between 1967 and 1974 which are checked (or reversed) between 1974 and 1981. For example, the posttransfer Gini coefficients for all elderly white male groups except the most aged declined between 1967 and 1974 by an average of .046, but

between 1974 and 1981, the Gini coefficient increased for two groups and very slightly decreased for the youngest group. This pattern for the posttransfer Gini coefficients for the elderly between 1967 and 1981 was true of nearly all groups. In general, there was a sizable decrease in inequality between 1967 and 1974, followed by a less dramatic decline or a slight increase between 1974 and 1981. What differed among the groups was their initial level of inequality, the size of the changes over the period, and their status at the end of the period.

For most groups, pretransfer income inequality declined over the period (or remained nearly the same), and posttransfer inequality similarly declined. The only elderly group which did not see posttransfer gains over the period is the most elderly group of black men. For this group, the pretransfer Gini coefficient was .814 in 1967, and fell to .769 in 1981. The Gini coefficient after transfers, however, rose from .330 in 1967 to .352 in 1981. In the intermediate year, 1974, both pretransfer and posttransfer Gini coefficients were lower than in the earlier and later years, so that the changes in income inequality for elderly black men in this period were extreme. Pretransfer inequality increased on net for some groups including elderly black women, less aged black men and some elderly white groups, but for all of these households posttransfer inequality fell on net over the period.

A closer look at Table 6 shows that, for many groups, the great gains in economic status were made between 1967 and 1974, while the later period saw either modest gains or a reversal in status relative to 1974. With the exception of the eldest group of white men, the incomes of all elderly households became more equal between 1967 and 1974. The most striking cases are the most aged groups of women, for which inequality

declined by .100. Less dramatic, yet sizable declines occurred for many other groups. But between 1974 and 1981, half of the elderly groups saw an increase in measured posttransfer income inequality, the other half a decline. Some of the increases were quite large. The Gini coefficient for the eldest group of black women was .280 in 1974 and rose to .362 in 1981; the Gini coefficient for the most elderly black men rose from .256 in 1974 to .352 in 1981. These groups had the lowest levels of posttransfer income inequality in 1974, but the changes between 1974 and 1981 were dramatic. Increases for other groups tended to be smaller. Further decreases in the Gini coefficient between 1974 and 1981, on the other hand, tended to be quite modest, amounting, for many groups, to changes of .002. The largest decline in the Gini coefficient in this period was a drop of .054, for least aged black men. All groups except the eldest black men saw an improvement in income equality over the period as a whole.

SOURCES OF POSTTRANSFER INCOME OF THE ELDERLY

This section describes the sources of posttransfer income of the elderly, and charts the relative importance of each source in total income over the period 1967 to 1981. Four components of income are considered: market income, private pensions, social insurance, and welfare.

The first two components are private sources of income included in pretransfer income. Market income includes total (labor) earnings of adults in the households, farm income, property income, and "other" income, which includes alimony, other contributions, and income from miscellaneous sources. In the earlier years, 1967 and 1974, specific

information about receipt of private pensions is not available. In those years, private pensions are included as "other" income in the data, whereas in later years, including 1981, private pensions are distinct from other income. For this analysis, in the two early years, other income is assumed to be entirely alimony and other contributions, and thus is included in market income, for persons less than 65. For the elderly (65 and over), other income is assumed to be entirely private pensions in the years 1967 and 1974. While these assumptions are likely to overstate the importance of private pensions for the elderly (and understate market incomes) in the two early years, the figures are not unreasonable when compared to the more accurate 1981 numbers. Taken together, market income and private pensions are an accurate description of income from private sources in all three years. The division between the two errs in overstating the share of private pensions in total income of the elderly for the first two years, and we must bear this in mind when interpreting the results.

The next two income components are from public sources. Social insurance includes income from social security, and "compensation" programs--Unemployment Insurance, Workmen's Compensation, public pensions (federal, state, and local) and veterans' benefits. Recipiency and benefit levels for each of these programs are tied to past contributions and determinate characteristics including old age, unemployment, disability, or death of a spouse. Welfare includes income from programs for which eligibility is means-tested, using the value of assets and all income from private sources and social insurance as a criterion. Eligibility for these programs does not depend on past contributions. The category of welfare includes Aid to Families with Dependent Children, veterans'

pensions, general assistance and, in 1974 and 1981, Supplemental Security Income. Because SSI replaced Old Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled programs in 1972, these programs are included in the category welfare in 1967.

Table 7 shows the ratio of income to needs by source, for households headed by the elderly in each of the three years. Income is expressed in two ways. First, income is shown as the ratio of income to needs, the measure used in the first part of this paper (Table 7A). Thus, the four sources should add up to posttransfer income, also expressed as income-to-needs, as before. Second, each source is expressed as a percentage of posttransfer income (Table 7B) to emphasize the share of each source in total income. It is useful to see both figures together, as the former shows the changes over time in the absolute magnitude of real income from each source, while the latter figure shows the changes over time in the relative importance of each source in total income. Since the magnitude of income from each source differs for men and women, blacks and whites, the two numbers really tell different stories. For example, we find that while elderly white men receive larger amounts of social insurance than any other group, elderly black women are the most reliant upon social insurance as a percentage of total income.

We will first look at the changes in income by source expressed both ways for all elderly by race and sex. Once the basic trends in the growth or decline of each source are clear, we will look further at subgroups of the elderly by age, using only the second expression which describes the relative importance of each income source in total posttransfer income.

Table 7A

Ratio of Income to Needs, by Income Source,
Households Headed by the Elderly, 1967, 1974, 1981

Elderly Household Head	Market Income	Private Pensions	Social Insurance	Welfare	Posttransfer Income
White Men					
1967	1.56	0.16	0.81	0.03	2.56
1974	1.47	0.25	1.22	0.03	2.98
1981	1.64	0.26	1.38	0.02	3.27
White Women					
1967	0.93	0.09	0.60	0.06	1.67
1974	0.82	0.11	0.96	0.06	1.95
1981	0.84	0.09	1.05	0.03	2.00
Black Men					
1967	0.67	0.07	0.51	0.12	1.37
1974	0.72	0.10	0.88	0.09	1.79
1981	0.64	0.09	0.96	0.07	1.75
Black Women					
1967	0.42	0.03	0.40	0.20	1.04
1974	0.32	0.02	0.62	0.20	1.17
1981	0.29	0.03	0.76	0.14	1.22

Table 7B

Income Sources as Percentage of Posttransfer Income, Households Headed by the Elderly, 1967, 1974, 1981

Elderly Household Head	Market Income	Private Pensions	Social Insurance	Welfare
White Men				
1967	61.09%	6.19%	31.59%	1.13%
1974	49.48	8.50	41.11	0.91
1981	49.98	7.84	42.12	0.49
White Women				
1967	55.58	5.39	35.71	3.31
1974	42.09	5.42	49.42	3.07
1981	41.76	4.47	52.24	1.64
Black Men				
1967	48.62	5.03	37.50	8.85
1974	40.33	5.68	49.05	4.93
1981	36.71	5.17	54.68	4.27
Black Women				
1967	40.01	2.61	38.30	19.08
1974	27.14	2.02	53.31	17.52
1981	23.65	2.80	62.26	11.29

Note: Rows may not add to 100 owing to rounding error.

As Table 7A shows elderly households only, it is not surprising to find that the largest sources of income are market income and social insurance, where the latter includes government insurance programs for persons over 65. Much smaller contributions to posttransfer income are made by private pensions and welfare.

Among private sources of income, market incomes have fallen or remained nearly the same in real terms over the period. Private pensions were steady in real terms for all groups except elderly white men, for whom pensions nearly doubled between 1967 and 1981. Since the division between market incomes and private pensions in the first two years is not strictly reliable, we can aggregate the two for a measure of income from private sources. This shows that income from private sources rose for elderly white men from 1.72 in 1967 to 1.90 in 1981; it remained nearly the same for black men (after a jump in 1974) at 0.74 in 1967 and 0.73 in 1981 and it fell for both groups of elderly women. For white women, real income from all private sources was 1.02 in 1967 but 0.93 in 1981, while for black women, real private income fell from 0.45 in 1967 to 0.32 in 1981.

The largest amounts of social insurance were received by elderly white men. Lesser amounts of social insurance went to elderly white women and black men, while elderly black women received half the amount paid to white men in any given year. This reflects the connection between social insurance benefits and past incomes. Social insurance benefits rose in real terms for each group over the period, though the real increase was larger for elderly white men and smallest, again, for elderly black women. Some of the increase in social insurance benefits for elderly women between 1967 and 1974 is due to the increase in 1972 of

survivor benefits from 82½ percent to 100 percent of the spouse's Primary Insurance Amount (PIA), and the elimination of the dependency requirement for receipt of benefits by divorced wives and widows. Black women would be likely to benefit less from these changes owing to their own higher labor force participation rates, and the relatively low PIAs of black men.

Welfare benefits were the smaller of the two types of government transfers. Since they are income- and asset-tested, we find the largest amounts, in real terms, going to elderly black women, and the smallest amounts going to elderly white men. The real level of benefits received fell over the period for all groups, to be more than replaced by social insurance. For white men, the drop was from .03 to .02 of income relative to needs. To elderly households with lower average incomes relative to needs, however, the erosion of welfare benefits in real terms was more significant. For black men, welfare benefits were .12 in 1967, and decreased to .07 in 1981, while for black women, the level of benefits fell from .20 in 1967 to .14 in 1981. However, the real increases in social insurance benefits replaced the decline in welfare.

Clearly, the decrease in the market incomes of elderly women and the significant decreases in real welfare benefits to elderly black men and women help to explain why the average posttransfer income of elderly black women remained so low throughout the period 1967 to 1981. We can also see that the source of the growth in real posttransfer income for all groups between 1967 and 1974 is the real increase in social insurance which occurred in that period. The slower growth or decline in real posttransfer incomes in the later period, 1974 to 1981, is driven by the decline in the market incomes of all groups except elderly white men, and

by the decrease in welfare benefits, which hit the incomes of elderly black men and women the hardest. These decreases were offset by increases in social insurance, which explains any increases in the posttransfer incomes of elderly blacks and women between 1974 and 1981.

The relative importance of the four income sources in the total posttransfer income of the nonelderly and the elderly, by race, sex and age in 1967, 1974, and 1981 is shown in Tables 8A and 8B. The numbers in these tables are type of income as a percentage of the average post-transfer income for a given group. Market income and private pensions as a share of total income are shown in Table 8A, while Table 8B displays the shares of social insurance and welfare in total income.

Though the trend was more marked for the elderly, market incomes for the nonelderly declined as a share of income while social insurance increased between 1967 and 1981. We find that this trend is more marked for the elderly, but it is nevertheless worth noting that social insurance grew in importance for the nonelderly as well as for the elderly between 1967 and 1981.

In all three years, the share of market incomes in total income falls almost uniformly with age for most groups. The only exceptions, groups for which the share of market income increases between 1974 and 1981, are the most aged black men and women and white men 70-74. For the latter group, the increase may be due to inaccuracy in the imputation of other income to pensions for the elderly, but for elderly black men and women, there is unquestionably an increased reliance upon income from private sources. At the same time, for this group of black women, between 1974 and 1981 the share of pensions rises slightly, reliance on welfare falls sharply, and the share of social insurance in total income

Table 8A

Market Income and Private Pensions as Percentage of Posttransfer Income, 1967, 1974, 1981

Household Head	1967		1974		1981	
	Market Income	Private Pensions	Market Income	Private Pensions	Market Income	Private Pensions
White Men						
21-64	97.79%	0.00%	97.57%	0.00%	95.26%	0.66%
65-69	72.88	5.22	58.45	8.32	57.28	7.78
70-74	53.46	7.24	43.49	9.59	47.52	7.83
75-79	50.47	5.83	39.79	8.25	41.76	8.47
80+	43.71	8.47	42.96	7.17	42.11	7.17
White Women						
21-64	91.23	0.00	88.40	0.00	89.86	0.91
65-69	61.53	5.35	48.38	6.40	48.25	5.50
70-74	53.57	5.74	39.99	5.49	40.84	5.10
75-79	50.54	4.87	38.49	4.61	37.12	4.00
80+	53.42	5.54	38.62	4.61	39.23	2.95
Black Men						
21-64	96.99	0.00	94.68	0.00	93.60	0.37
65-75	55.15	5.12	46.36	5.26	37.23	6.26
75+	28.00	4.75	17.64	7.28	35.38	2.40
Black Women						
21-64	83.14	0.00	78.83	0.00	81.37	0.29
65-74	41.85	2.46	29.00	2.39	21.89	2.99
75+	36.27	2.93	23.74	1.36	26.19	2.52

Table 8B

Social Insurance and Welfare as Percentage of Posttransfer Income, 1967, 1974, 1981

Household Head	1967 Social Insurance	1967 Welfare	1974 Social Insurance	1974 Welfare	1981 Social Insurance	1981 Welfare
White Men						
21-64	2.04%	0.18%	3.71%	0.29%	4.37%	0.23%
65-69	21.21	0.69	32.50	0.73	35.05	0.32
70-74	38.35	0.95	46.04	0.88	44.71	0.51
75-79	42.32	1.39	51.00	0.97	49.37	0.73
80+	44.32	3.50	48.32	1.55	50.30	0.66
White Women						
21-64	6.95	1.82	8.37	3.24	6.77	2.53
65-69	31.52	1.60	42.90	2.31	45.17	1.41
70-74	37.95	2.74	51.69	2.83	52.58	1.49
75-79	40.12	4.48	53.57	3.32	57.26	1.63
80+	34.89	6.16	52.43	4.34	55.77	2.11
Black Men						
21-64	2.23	0.77	4.06	1.26	4.92	1.12
65-75	33.40	6.34	44.81	3.57	53.35	4.13
75+	50.47	16.78	65.01	10.08	58.02	4.61
Black Women						
21-64	5.76	11.10	7.10	14.07	7.38	11.00
65-74	39.90	16.02	52.44	16.53	63.92	11.20
75+	35.50	25.30	55.55	19.35	59.87	11.42

Note: Income from the four sources, market income, private pensions, social insurance, and welfare should add to approximately 100%.

rises 8 percent (Table 8B). For the group of elderly black men, for whom market income is twice as important in 1981 as in 1974, all other sources--pension, social insurance, and welfare--decline as a share of total posttransfer income. As we saw in Table 3, the mean posttransfer income of both of these groups increased between 1974 and 1981 (whereas it declined for the less aged groups). Thus, the increased share of market income for the most aged black men, and increased share of social insurance accompanying the increase in market income for the most aged black women, help to explain the increase in posttransfer income for these two groups between 1974 and 1981.

For the other two groups of elderly black men and women, we find that posttransfer income rose over the initial period, but fell or remained constant between 1974 and 1981. From Table 8A we see that the share of market income in total income fell about 10 percent in each period for both of these groups. At the same time, the share of private pensions remained nearly the same throughout, while the share of welfare declined. The share of social insurance in total income rose at a rate to replace market incomes and welfare as a share of total income. From the data on the real magnitudes of posttransfer income in Table 3, however, we find that real increases in social insurance were more than sufficient to replace the decline in market income and welfare between 1967 and 1974, but were not as helpful between 1974 and 1981.

For all groups of elderly white men and women, market income as a share of total income fell throughout the period, while social insurance rose. The greatest change took place between 1967 and 1974, with less significant changes occurring in the later period. Private pensions retained a nearly unchanging share of income for these groups over the

entire period, at 5 to 8 percent for men and 3 to 5 percent for women. Welfare, which was largest at 4 and 6 percent in 1967 for the most elderly groups, tended to fall throughout the period to less than one percent of the income of elderly white men, and 2 percent or less of the income of white women in 1981. The changes in posttransfer income for these groups throughout the period were uniformly positive, with the greatest increases occurring in 1974, the period of greatest change in shares of market income and social insurance (see Tables 8A and 8B). Thus, the increasing reliance on social insurance by elderly white men and women more than offset the declining shares of market income and welfare in the total incomes of these groups.

In 1981 the real posttransfer income of elderly white men was composed largely of market income (40 to 60 percent) and social insurance (35 to 50 percent). The incomes of the oldest group were more social insurance than market income, and vice versa for the least aged. Private pensions made up a nearly constant 7 to 8 percent of income for all elderly white men, while the share of welfare was negligible at less than one percent.

The posttransfer incomes of elderly white women were more evenly split. Market income was approximately 40 to 50 percent of total income, while social insurance made up a 45 to 55 percent share. Again, the incomes of the most aged women were composed more of social insurance than market income, and were lower than the incomes of the less aged white women. Private pensions as a share of total income declined with age, from 5 percent for the least elderly to 3 percent for the eldest group. Welfare was an even smaller share of income, and increased with

age, from 1.5 to 2 percent of income for the youngest and oldest groups, respectively.

Just over one-third of the incomes of elderly black men came from market sources, while approximately 55 percent was from social insurance. These figures are quite similar to the income shares of white women age 75 and over. Private pensions made up over 6 percent of the income of the youngest group, and over 2 percent of the income of the eldest group of aged black men. Finally, elderly black men received a larger share of income from welfare than did the most elderly white women. But at 4 percent, the average level of welfare benefits received by elderly black men was not large in either absolute or percentage terms.

The 1981 incomes of elderly black women were primarily composed of social insurance, at approximately 60 percent of total income. From 20 to 25 percent was income from market sources, while less than 3 percent was earned from private pensions. Private sources of income for this group were the lowest both in share and in real magnitude. Finally, welfare made up 11 percent of the posttransfer income of elderly black women. This group is heavily dependent upon the government for income, with 70 to 75 percent of their total income derived from welfare and social insurance. However, while they receive more welfare, both in percentage and actual terms, than any other group, welfare is by far the smaller government transfer program relative to social insurance. Their reliance on social insurance as a source of income is the highest in percentage terms, but many other groups of elderly blacks and women receive a comparable share of income from social insurance. What should also be noted is the absolute amount received by each group, and elderly black

women receive the lowest levels of social insurance in real terms of any group. This, together with low levels of market income, helps to account for their low posttransfer incomes.

CONCLUSION

This paper has explored the levels and sources of pretransfer and posttransfer income of subgroups of the elderly population defined by race, sex, and age over the period 1967 to 1981. We looked at subgroups of the elderly in order to extend the analysis of Danziger et al. (1983a and 1983b), which concluded that, on average, the elderly were 90 percent as well off as the nonelderly, in terms of adult-equivalent consumption and cash income after transfers. This paper has confirmed the expectation that the economic status of households headed by the elderly is quite varied. Looking at average posttransfer income, we find elderly white men nearly three times above the poverty line, elderly black men and white women at approximately twice the poverty line, and black women just above the poverty line, on average, in 1981. Comparing posttransfer income inequality, summarized by the Gini coefficient, the incomes of elderly black men and women were more equal than those of elderly white men and women. Government transfers reduced income inequality to a very large degree for all elderly groups. Within groups defined by race and sex, the nonelderly received higher posttransfer incomes on average than did their elderly counterparts. As was true of the elderly, the average incomes of nonelderly white men were highest, and those of nonelderly black women were lowest. Finally, we found that, in general, the

incomes of the most aged groups were lower than those of the least aged groups.

Government transfers to the elderly became more important over the 1967 to 1981 period in reducing pretransfer income inequality and raising low pretransfer incomes above the poverty line. The most significant source of government transfers to the elderly in absolute terms was social insurance. The greatest amounts of this went to white men, and the lowest amounts to black women. Social insurance grew the fastest of any of the income sources over the period. Less important to all groups was welfare, which was reduced in real terms over the period and replaced for most by the growth in social insurance. Finally, market incomes tended to fall in real terms for all groups between 1967 and 1974, and again in the later period. Private pensions were relatively small in magnitude for all groups, though they were highest for white men and lowest for black women.

A number of points made in this paper about the economic status of elderly groups relative to each other and to the nonelderly are relevant for transfer policy. First, most elderly groups have mean pretransfer incomes at or near the poverty lines, so some level of transfers is necessary for them. Second, government transfers brought all groups above the poverty line, on average, by 1981. However, some groups, in particular elderly black women, had an average posttransfer income very close to the poverty line in 1981, at 1.22. This figure is approximately one-third the average posttransfer income of elderly white men. Part of what is driving this difference is the fact that social insurance is the larger transfer program relative to welfare, and white men are eligible for larger social insurance payments owing to their longer and more

lucrative labor market experience. The Danziger et al. study (1983a) concluded that the implications for transfer policy of their finding that the elderly are 90 percent as well off as the nonelderly is that consideration should be given to whether the marginal dollar of transfers should go to the nonelderly poor or to the elderly. This study would take that conclusion one step further to say that policymakers should consider whether the marginal dollar of transfers to the elderly should be given through programs of benefits tied to past contributions, of which the relatively affluent elderly white men are an important class of beneficiaries, or through the needs-based programs, which are a more important source of income to the elderly groups we have identified as relatively poor.

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Appendix Table 1

Official Poverty Thresholds by Household Size
and Consumer Price Index
1967, 1974, and 1981

Household Size (and Age of Head)	1967	1974	1981
1 Person	$1,672	$2,487	$4,620
14-64	NA	2,557	4,729
65+	NA	2,352	4,359
2 Persons	2,152	3,191	5,917
14-64	NA	3,294	6,111
65+	NA	2,958	5,498
3 Persons	2,643	3,910	7,250
4 Persons	3,389	5,008	9,287
5 Persons	3,991	5,912	11,007
6 Persons	4,476	6,651	12,449
7 Persons	5,492	8,165	14,110
CPI (1967 = 100)	100.0	147.7	272.4

NA = Not available.

Source: Bureau of the Census, Current Population Reports, "Consumer Income," Series P-60, No. 68 (Dec. 1969), No. 102 (Jan. 1976), No. 134 (1981) and No. 138 (1981).

Appendix Table 2

Average Pretransfer Income-to-Needs Ratio, Households Headed by Nonelderly and Elderly, 1967, 1974, 1981

Household Head	1967	1974	1981
White Men			
21-64	3.29	3.55	3.57
65-69	2.42	2.26	2.40
70-74	1.53	1.50	1.77
75-79	1.21	1.28	1.47
80+	0.90	1.29	1.31
White Women			
21-64	2.04	2.11	2.04
65-69	1.29	1.22	1.21
70-74	1.02	0.90	0.95
75-79	0.81	0.78	0.76
80+	0.86	0.74	0.75
Black Men			
21-64	2.17	2.53	2.52
65-75	0.91	1.01	0.77
75+	0.34	0.34	0.60
Black Women			
21-64	1.06	1.14	1.16
65-74	0.49	0.38	0.30
75+	0.37	0.27	0.35

Appendix Table 3

Average Posttransfer Income-to-Needs Ratio, Households Headed by Nonelderly and Elderly, 1967, 1974, 1981

Household Head	1967	1974	1981
White Men			
21-64	3.37	3.70	3.74
65-69	3.10	3.39	3.72
70-74	2.51	2.82	3.24
75-79	2.16	2.66	2.95
80+	1.73	2.58	2.66
White Women			
21-64	2.24	2.38	2.25
65-69	1.94	2.24	2.27
70-74	1.71	1.98	2.08
75-79	1.47	1.80	1.89
80+	1.46	1.71	1.78
Black Men			
21-64	2.24	2.68	2.68
65-75	1.51	1.96	1.81
75+	1.05	1.36	1.61
Black Women			
21-64	1.28	1.45	1.42
65-74	1.11	1.22	1.21
75+	0.94	1.09	1.22