

CRS Report for Congress

Social Security's Effect on Child Poverty

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Summary

Social Security plays an important role in reducing poverty, not only among the aged but among children as well. Children may be eligible for Social Security benefits when a parent who is a covered worker dies, becomes disabled, or retires. In addition to receiving Social Security in their own right, children may economically benefit from Social Security by living with other family members receiving benefits.

Based on a Congressional Research Service (CRS) analysis of U.S. Census Bureau Survey of Income and Program Participation (SIPP) data, in January 2005, an estimated 6.5 million children lived in families in which one or more family members received Social Security — nearly 9% of all children. Of this number, an estimated 4.1 million were either child beneficiaries in their own right, or lived with a parent or guardian who reported receiving Social Security. The remaining 2.4 million children lived in families in which Social Security was received only by extended family members (e.g., grandparents, aunts, uncles, nieces or nephews) or other family members (adult siblings). For the former group, Social Security's effect on child poverty is more directly related to Social Security policy, whereas for the latter group, Social Security's effect on child poverty is more directly related to children's incidental family living arrangements.

Children living in families who receive Social Security are only slightly more likely to be poor than other children. In January 2005, 22.5% of the 6.5 million children living in families in which Social Security benefits were received were estimated to be poor (nearly 1.5 million), compared to 22.0% of children in families in which no Social Security was received. Children estimated to have received Social Security benefits on their own behalf and/or to live with a parent or guardian who received Social Security were more likely to be poor (26.0%) than children who incidentally were living in families in which Social Security is received only by extended family members (e.g., grandparent, aunt, uncle) or adult sibling (16.2%).

Social Security benefits lifted an estimated 1.3 million children above the official poverty line in January 2005. Among children in families that received Social Security, an estimated 42.1% (2.737 million) would have been considered poor based on family income other than Social Security. The addition of Social Security to family income reduces the incidence of poverty among these children to 22.5% (1.459 million).

In January 2005, it's estimated that over one in every three Social Security dollars paid to families with children helped children who otherwise would be counted as poor. Social Security benefits paid on behalf of children and/or their parents or guardians amounted to nearly \$2.5 billion in January 2005, or nearly \$29.5 billion on an annualized basis. Of this amount, a little over 43%, or \$12.8 billion on an annualized basis, went to families who would have been considered poor based on their pre-transfer income (i.e., excluding Social Security), which is more than double the estimated \$5.2 billion in federal cash welfare spending under the Temporary Assistance for Needy Families (TANF) program in FY2005. This report will not be updated.

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Social Security's Effect on Child Poverty

Social Security plays an important role in reducing poverty, not only among the aged but among children as well. Children may be eligible for Social Security benefits when a parent who is a covered worker dies, becomes disabled, or retires. In addition to receiving Social Security benefits in their own right, children may economically benefit from Social Security by living with other family members who receive benefits. This report examines the effects of Social Security on child poverty. The estimates presented in this report are based on a CRS analysis of U.S. Census Bureau Survey of Income and Program Participation (SIPP) data in January 2005.

Children and Social Security

Unlike welfare programs, in which eligibility is determined on the basis of limited income, Social Security is a work-related entitlement, in which benefits are determined on the basis of workers' employment and earnings history, without respect to current income. Children may be eligible for Social Security benefits when a parent who is a covered worker dies, becomes disabled, or retires. For children of disabled or retired workers, the child's benefit is generally equal to 50% of the parent's primary insurance amount (PIA) before adjustments. (The PIA is based on the parent's Social Security earnings record.) Children of deceased workers are generally entitled to benefits equal to 75% of the deceased parent's PIA before adjustments. A maximum family benefit applies, varying from 150% to 188% of the PIA of the retired, disabled, or deceased parent. The family maximum cannot be exceeded regardless of the number of recipients entitled to benefits under the deceased or retired worker's earnings record. Child benefits generally apply to all biological children of a worker (assuming that paternity/maternity has been established) and to legally adopted children. Stepchildren may be eligible in some cases, as may some legally adopted grandchildren, with their benefits being determined on the basis of their grandparents' earnings record. Children may receive benefits until they reach age 18, and if in high school, through age 19. Disabled children may receive benefits indefinitely as long as the disability was incurred before reaching age 22. In addition to receiving Social Security benefits in their own right, children may economically benefit from Social Security by living with other family members who receive benefits.

Social Security Administrative Data — Child Beneficiaries

As noted above, children may qualify for Social Security benefits by being a child of a retired or disabled worker receiving Social Security or a survivor of a deceased worker who met the program's insured status requirements. Social Security Administration (SSA) data indicate that in December 2005, 3.1 million Social Security beneficiaries (6.5% of all beneficiaries) were children under the age of 18. (See **Table 1.**) Among child beneficiaries, 1.3 million (42.4% of all child beneficiaries) were children of deceased workers, 1.5 million (48.6% of all child beneficiaries) were children of disabled workers, and about 281,000 (9.0% of all child beneficiaries) were dependent children of retired workers. The average monthly benefit among child beneficiaries in December 2005 was \$446. Average monthly benefits of children of disabled workers were lowest, about \$270 in December 2005, compared to about \$466 for children of retired workers, and about \$644 for children of deceased workers (i.e., children receiving survivor's benefits).

In total, aggregate Social Security benefits paid on behalf of children in December 2005 amounted to about \$1.397 billion, or about \$16.7 billion on an annualized basis, based on SSA administrative data. Social Security benefits paid on behalf of children exceed federal dollars spent on cash welfare to families with children under the Temporary Assistance for Needy Families (TANF) program. In FY2005, combined federal and state TANF expenditures, in the form of cash aid to families, amounted to an estimated \$10.7 billion, of which approximately \$5.2 billion (48%) was from federal funds.

Table 1. Number of Social Security Beneficiaries and Average Monthly Benefit, by Type of Benefit, December 2005

Type of Benefit	Beneficiaries		Average Monthly Benefit (Dollars)	Aggregate Monthly Benefits	
	Number	Percent Distribution		Millions of Dollars	Percent Distribution
Total, OASDI ^a Beneficiaries	48,445,900	100.0	\$915.70	\$44,362	100.0
Child Beneficiaries under age 18	3,132,060	6.5	\$446.00	\$1,397	3.1
Distribution of child beneficiaries under age 18					
Total child beneficiaries	3,132,060	100.0	\$446.00	\$1,397	100.0
Children of retired workers	281,330	9.0	\$465.50	\$131	9.4
Children of deceased workers	1,329,390	42.4	\$643.70	\$856	61.3
Children of disabled workers	1,521,340	48.6	\$269.60	\$410	29.4

Source: Congressional Research Service (CRS) presentation of data from the 2005 Annual Statistical Supplement to the Social Security Bulletin (Table 5.A1 and Table 5.A1.4). Social Security Administration Internet release: [<http://www.socialsecurity.gov/policy/docs/statcomps/supplement/2006/index.html>].

a. Old-Age, Survivors and Disability Insurance (OASDI).

Survey of Income and Program Participation Data — Children in Families Receiving Social Security

While SSA administrative data provide a broad overview of the numbers of individuals receiving Social Security benefits and the type and amount of benefits received, they provide little information about the characteristics of individuals receiving benefits or the importance of Social Security to individual and family economic well-being. In order to address questions relating to the income and poverty status of families in which children live, and the impact of Social Security benefits on income and poverty status of families with children, other data sources must be used. For this analysis, U.S. Census Bureau Survey of Income and Program Participation (SIPP) data are used in this report.

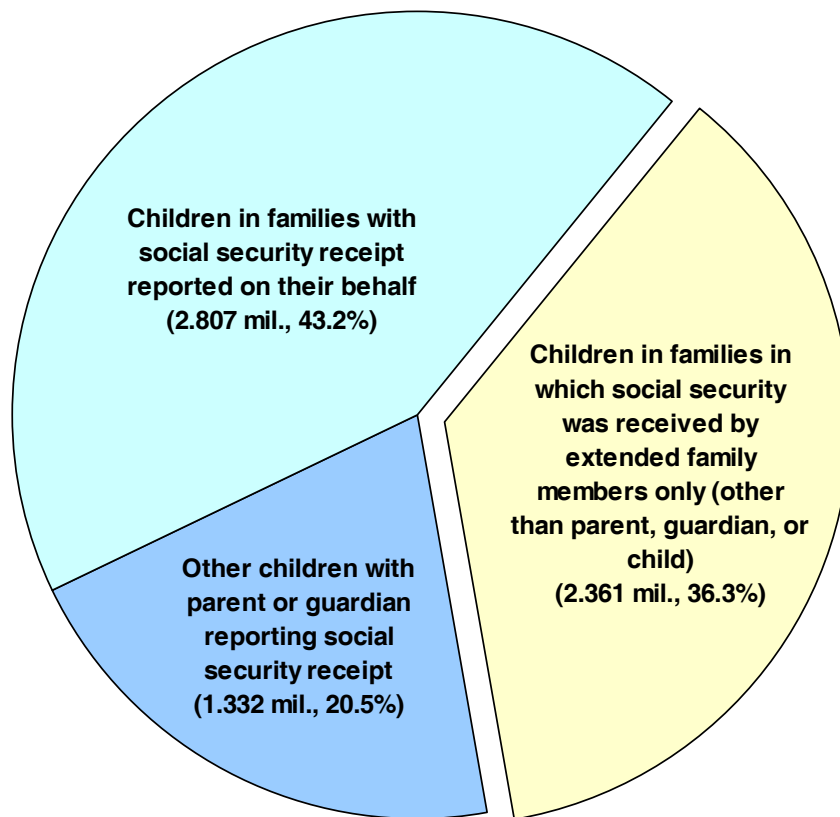
The most recent SIPP data are from the 2004 panel, which is designed to interview a representative sample of families every four months over a 48-month period, from February 2004 to January 2008. The SIPP collects detailed information on family composition, labor force participation, income, and program participation among families and their members in each of the 48 months they are included in the survey. The analysis presented in this report relies on SIPP data for January 2005, the latest month in common from data released for the full SIPP sample.¹ **Appendix A** further describes the methodology used in this report.

CRS analysis of SIPP data for January 2005 indicates that among an estimated 73 million children under age 18, of which an estimated 6.5 million (8.8%) lived in families in which one or more family members received Social Security — over twice the number of children estimated to receive Social Security benefits directly (3.1 million), based on the administrative data discussed above. As discussed in greater detail in **Appendix A**, which describes the methodology used in this report, it is not possible to precisely identify the Social Security beneficiary status of children on the SIPP. Among the 6.5 million children living in families that received Social Security in January 2005 based on SIPP data, an estimated 2.8 million (43%) were in families in which Social Security was reported as having been received on behalf of at least one of the children in the family. (See **Figure 1**.) As noted

¹ The SIPP is designed such that the Census Bureau interviews survey respondents in “waves.” A “wave” represents a set of interviews staggered over a four-month period, with approximately one-quarter of the sample being interviewed in each month. For example, in Wave 1 of the 2004 SIPP panel, one-quarter of the sample was initially interviewed in February 2004, recounting labor force participation, income, and program participation information in the previous four months (October 2003 through January 2004). Another quarter of the sample was initially interviewed in March 2004, recounting information from November 2003 through February 2004). The final interviews for Wave 1 were conducted in May 2004, collecting recounted information for the period from January 2004 through April 2004. Consequently, for Wave 1, January 2004 is the first month of data in common among the full SIPP sample. As of January 2008, the Census Bureau has released data from the first four waves of the 2004 SIPP panel. First interviews for wave 4 were conducted in February 2005 (collecting information from October 2004 through January 2005) and final interviews in May 2005 (collecting information from January through April 2005). Consequently, the last month in common among the full SIPP sample in wave 4 is January 2005, which represents the data presented in this report.

Appendix A, most, but not all, of these 2.8 million children are probably child beneficiaries. Another 1.3 million (21%) lived in families where a parent or guardian reported receiving Social Security benefits, though not directly on behalf of a child. These 4.1 million children are grouped together in analyses that follow as child beneficiaries and children of parents or guardians that receive Social Security. The remaining 2.4 million children (36%) lived in families where Social Security was received by someone other than a child or the children's parent(s) or guardian(s); in such cases Social Security benefits may have been received by an extended family member (e.g., grandparent, aunt or uncle, cousin, niece or nephew) or an older adult sibling. For this latter group, children may incidentally be affected by Social Security, but not directly as a matter of policy aimed at them.

**Figure 1. Children Under Age 18 in Families that Receive Social Security: January 2005
(Universe: 6.5 million)**



Source: Figure prepared by the Congressional Research Service based on analysis of U.S. Census Bureau Survey of Income and Program Participation (SIPP) 2004 Panel data.

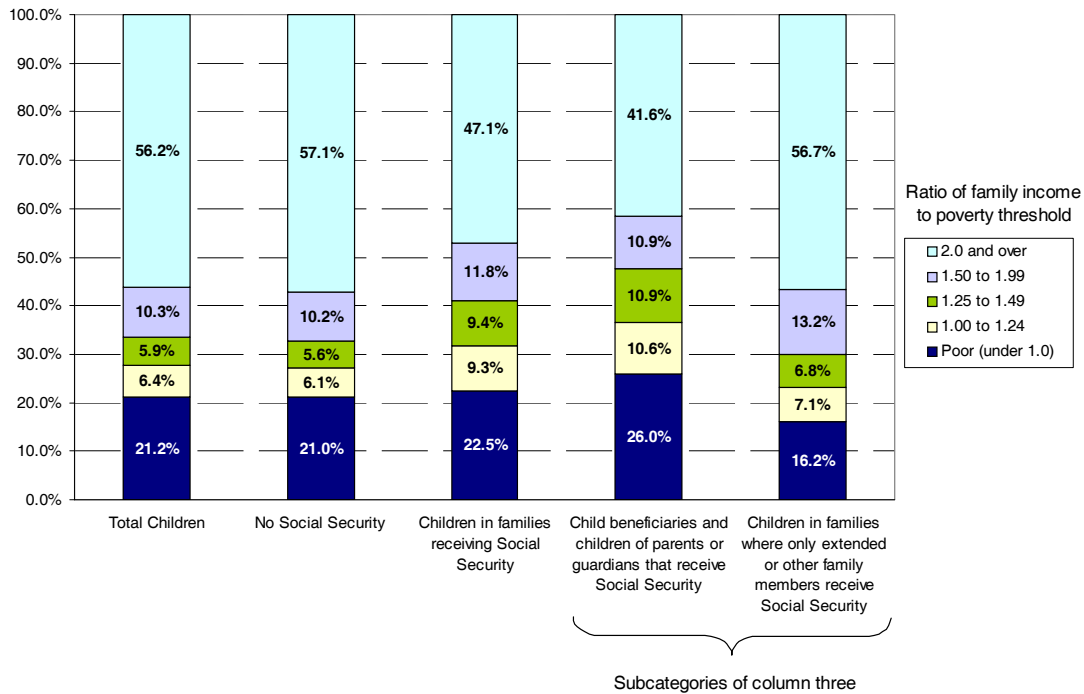
Children's Poverty Status by Family Social Security Receipt

At first appearance, there is little difference in the overall poverty status² of children living in families that receive Social Security and those living in families that do not. However, differences become more apparent between children living in families in which Social Security is received on behalf of children and/or parents/guardians, and those living in families in which Social Security is received only by extended or other family members. Also, the after-the-fact comparison of poverty status by family Social Security receipt doesn't take into account the effect that Social Security itself has in reducing poverty. For such purposes, poverty status of children must be estimated both before and after counting families' income from Social Security.

Figure 2 shows the poverty status of children based on total family income as multiples of U.S. Census Bureau poverty income thresholds. The figure shows, for example, that 21.2% of all children were poor in January 2005. Among children in families that received no income from Social Security, 21.0% were poor, as compared to 22.5% of children in families in which Social Security was received (comparing the second and third bars, from the left). However, among child beneficiaries and children of a parent or guardian who received Social Security (the 4.1 million children in the two combined pie slices shown in **Figure 1**), 26.0% were poor, compared to 16.2% where Social Security was received by extended or other family members (other than children, parents, or guardians).

² For statistical purposes, under the official U.S. poverty definition an individual is counted as poor if his/her family cash, pre-tax income, is below specified poverty income thresholds, which vary by family size and composition. In 2005, for example, the applicable annual income poverty threshold for a single parent (under age 65) with one child was \$13,461, and for a married couple with two children, \$19,806. For purposes of counting the poor, families are defined as consisting of all persons living in a household who are related by blood, marriage, or adoption. For such purposes, families may consist of a parent or parents and their children, but may also include other related family members such as children's grandparents, aunts, uncles, nieces and nephews, if living together in the same household.

Figure 2. Poverty Status Among Children in Families, by Social Security Reciprocity Status, January 2005



Source: Congressional Research Service (CRS) estimates from U.S. Census Bureau Survey of Income and Program Participation 2004 Panel data.

Antipoverty Effectiveness of Social Security Among Children

One way to gauge the effect of Social Security on children’s poverty status is to estimate poverty by excluding Social Security from family income and comparing the result to the extent of poverty when Social Security is added back into family income. **Figures 3 through 5** depict children’s “*pre- and post-transfer poverty status*” for children in families that receive Social Security compared to children in families that don’t. **Figure 3**, for example, compares all children, whereas **Figure 4** compares only children who are child beneficiaries or live in families where the parent(s) or guardian(s) received Social Security. **Figure 5** compares children who are in families where only extended or other family members (other than children, parents, or guardians) reported receiving Social Security with children in families where no Social Security was reported. The comparison of “*pre-transfer poverty status*,” based on a measure of family income that excludes the amount families received from Social Security, to “*post-transfer poverty status*,” which includes the Social Security benefits families received, provides one indication of Social Security’s effect on reducing child poverty.

Figure 3 shows, for example, that 42.1% of children living in families that received Social Security would have been considered poor based on their families’ incomes from sources other than Social Security. When Social Security is added

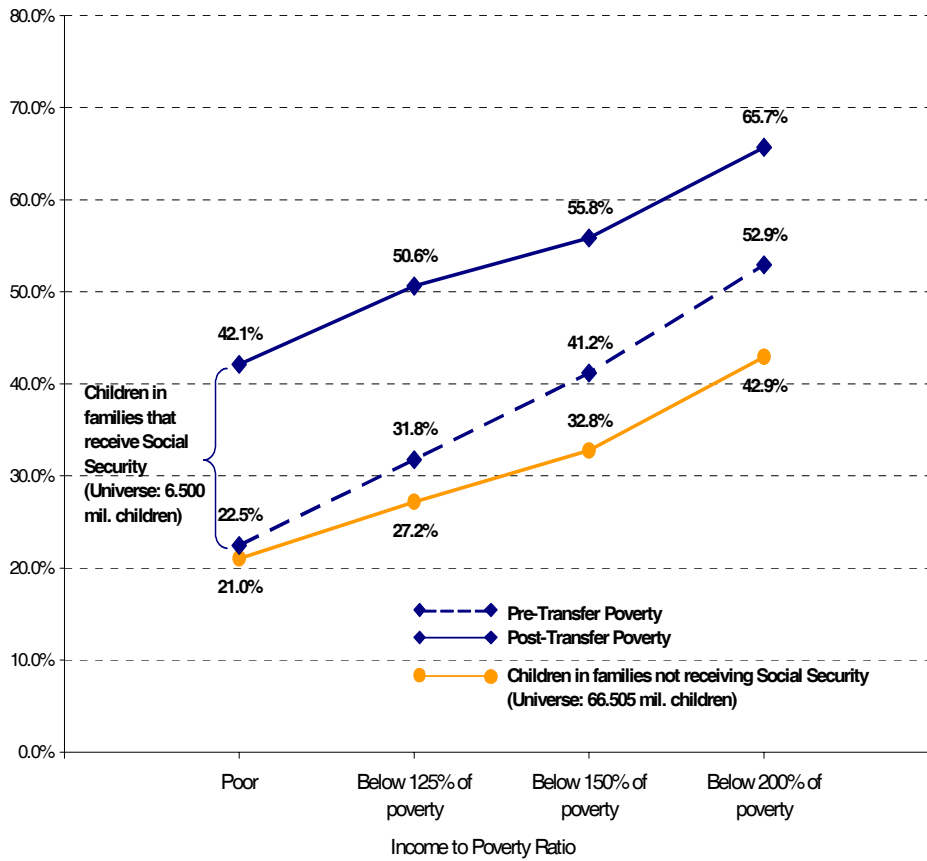
back into these families' incomes, child poverty is cut nearly in half, to 22.5% — a level just slightly above that of children living in families that do not receive Social Security (21.0%). On this basis, Social Security lifted nearly 1.3 million children (1.278 million) above the poverty line in January 2005. (See **Table 2**). It should be noted that this effect is limited to just the 6.5 million children that are in families that received Social Security, which noted earlier, amounts to just about 9% of all children.

If one examines the relative effect of Social Security on the poverty status of all 73 million children in the U.S., overall, the effect appears much more modest. (See **Table 2**). In all, 16.729 million children were estimated as being poor in January 2005, on a pre-transfer basis, or 22.9% of all children. The 1.278 million reduction in the number of poor children as a result of counting Social Security benefits reduces the total number of poor children to about 15.451 million, resulting in 21.2% of all children being considered poor — a 1.7 percentage point, or 7.6% decline.

While Social Security benefits received by families with children have the effect of reducing the incidence of child poverty to nearly the same level as that of children in families that don't receive benefits, their equalizing effect is attenuated at somewhat higher income levels. Among children in families that receive Social Security, 31.8% have family income *below 125% of the poverty line*, compared to 27.2% of children in families that don't receive benefits. Among children in families that receive Social Security, 41.2% have family incomes *below 150% of the poverty line*, compared to 32.8% of children in families that do not receive Social Security. (See **Figure 3**.)

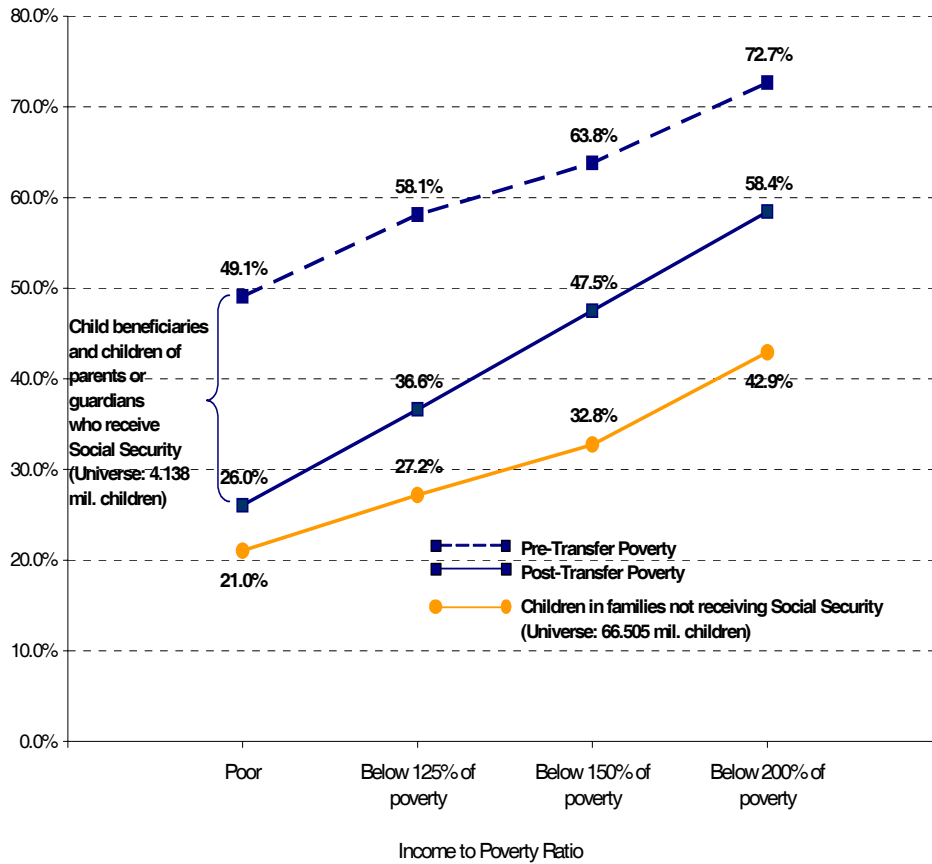
Figure 4 focuses on just the 4.1 million children who are classified as either child beneficiaries and/or children whose parent(s) or guardian(s) received Social Security. Contrasted to the 2.4 million children who are in families where Social Security is received by only extended family or other family members (other than a child, parent or guardian) (**Figure 5**), the former group has a much higher pre-transfer poverty rate (49.1%) than does the latter group (29.9%). In families where Social Security benefits are received on behalf of children or by parents or guardians, Social Security reduces their poverty rate from 49.1% to 26.0%, a rate that is still significantly higher than that of children in families that don't receive Social Security (21.0%). In contrast, for children living in families where Social Security is received only by extended or other family members, Social Security reduces their poverty rate from 29.9% to 16.2%, a rate well below that of children in families that don't receive Social Security (21.0%).

Figure 3. Pre- and Post-Transfer Poverty Status of Children in Families Receiving Social Security, Compared to Children in Families Not Receiving Social Security: January 2005



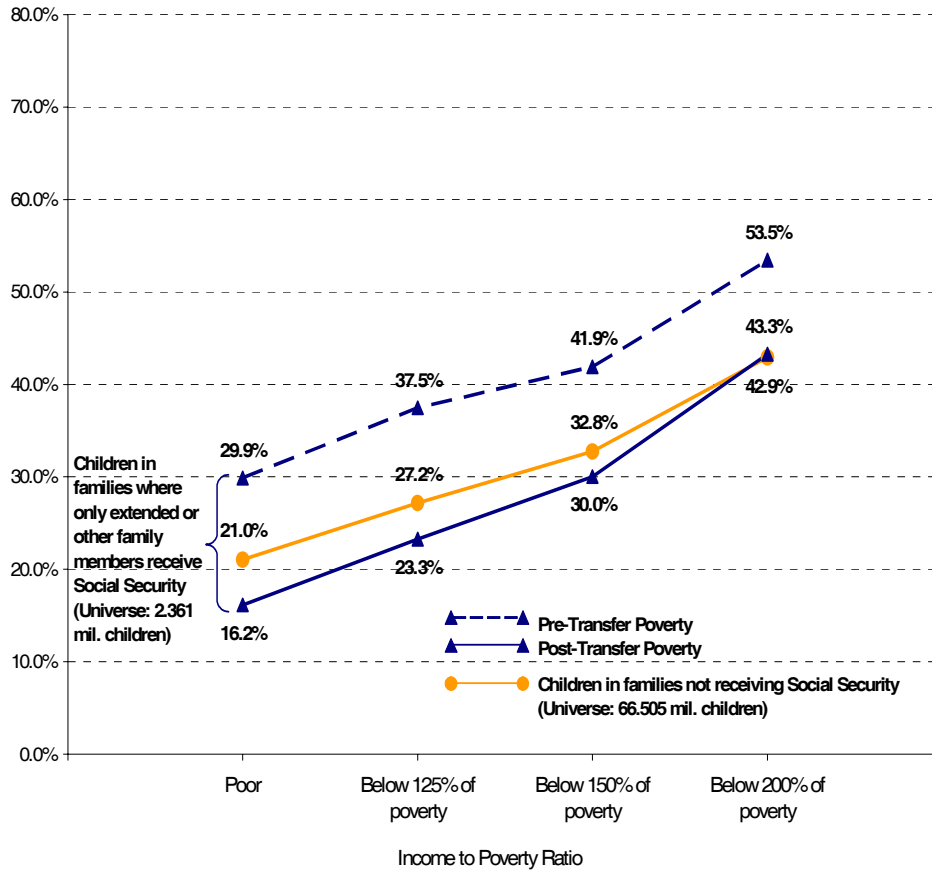
Source: Congressional Research Service (CRS) estimates from U.S Census Bureau Survey of Income and Program Participation 2004 Panel data.

Figure 4. Pre- and Post-Transfer Poverty Status of Child Beneficiaries and Children of Parents or Guardians Who Receive Social Security, Compared to Children in Families Not Receiving Social Security: January 2005



Source: Congressional Research Service (CRS) estimates based on analysis of U.S. Census Bureau Survey of Income and Program Participation 2004 Panel data

Figure 5. Pre- and Post-Transfer Poverty Status of Children in Families Where Only Extended or Other Family Members Receive Social Security, Compared to Children in Families Not Receiving Social Security: January 2005



Source: Congressional Research Service (CRS) estimates from U.S Census Bureau Survey of Income and Program Participation 2004 Panel data.

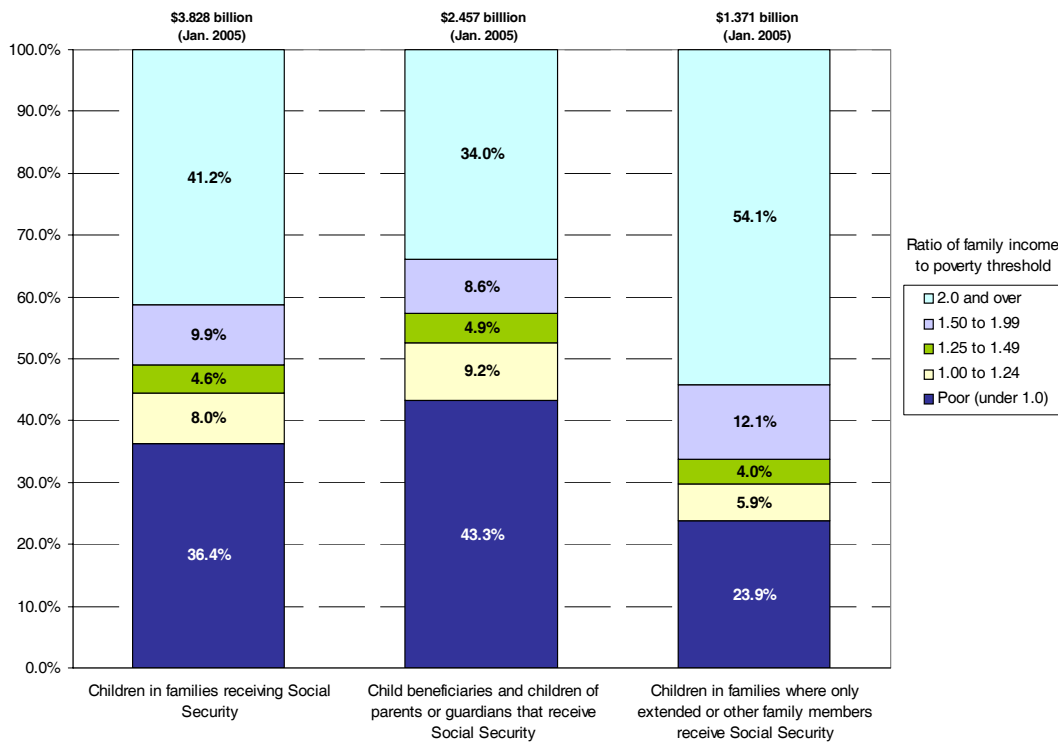
**Table 2. Pre- and Post-Transfer Poverty Status of Children Under Age 18,
by Social Security Reciprocity Status, January 2005
(number of children in 1,000s)**

	Total	Poor Children Based on Total Family Income		Poor Children Based on Pre-transfer Family Income (Excluding Social Security Benefits)		Reduction in Poverty Attributed to Social Security		
		Number	Percent Poor	Number	Percent Poor	Number	Percentage Point Reduction	Percent Reduction
Total	73,004	15,451	21.2	16,729	22.9	1,278	-1.7	-7.6
No Social Security received by family members	66,505	13,992	21.0	13,992	21.0	0	0.0	0.0
Children in families that receive Social Security	6,450	1,459	22.5	2,737	42.1	1,278	-19.6	-46.7
Child beneficiaries and children of parents or guardians that receive Social Security	4,138	1,008	26.0	2,032	49.1	954	-23.1	-47.0
Children in families where only extended or other family members receive Social Security	2,361	381	16.2	706	29.9	324	-13.7	-45.9

Source: Congressional Research Service (CRS) estimates based on analysis of U.S. Census Bureau Survey of Income and Program Participation 2004 Panel data.

Figure 6 shows the relative share of estimated aggregate dollars going to children’s families, based on their families’ pre-transfer poverty status (i.e., poverty based on total income, excluding Social Security income that the family reports receiving). The figure shows, for example, that based on SIPP data, families with children reported receiving over \$3.8 billion in Social Security benefits in January 2005, or about \$45.9 billion on an annualized basis. Of these benefits, an estimated 36.4% (nearly \$1.4 billion, or about \$16.7 billion on an annualized basis) went to families who were poor based on their total cash income, *excluding any Social Security benefits they received*. (See **Table 3**.) Thus, over one out of every three Social Security dollars paid to families with children goes to children who would otherwise be counted as poor. Among families with child beneficiaries, about \$2.5 billion in Social Security benefits were reported in January 2005 (about \$29.5 billion on an annualized basis). Of this amount, 43.3% (about \$1.1 billion, or \$12.8 billion on an annualized basis), went to families that had total incomes, *excluding Social Security*, below the poverty line, which is more than double the estimated \$5.2 billion in federal cash welfare spending under the Temporary Assistance for Needy Families (TANF) program in FY2005. Whereas TANF may be considered “target efficient,” in terms of targeting the poor, in that nearly all TANF dollars go to families that are poor on a pre-transfer (pre-TANF) basis, Social Security plays a much greater role in reducing poverty among children than does TANF.

Figure 6. Target Efficiency of Social Security Dollars in Reducing Child Poverty: Aggregate Social Security Benefits to Children’s Families, by Families’ Pre-Transfer Poverty Status, January 2005



Source: Congressional Research Service (CRS) estimates based on analysis of U.S. Census Bureau Survey of Income and Program Participation 2004 Panel data.

Table 3. Aggregate Social Security Benefits to Children's Families, by Families' Pre-Transfer Poverty Status: January 2005

	Total	Ratio of Pre-Transfer Income to Poverty Threshold				
		Poor (under 1.00)	1.00 to 1.24	1.25 to 1.49	1.50 to 1.99	2.00 and over
Aggregate Social Security Benefits January 2005 (\$ in billions)						
Children in families that receive Social Security	\$3.828	\$1.392	\$0.307	\$0.175	\$0.377	\$1.577
Child beneficiaries and children of parents or guardians that receive Social Security	\$2.457	\$1.064	\$0.227	\$0.119	\$0.211	\$0.836
Children in families where only extended or other family members receive Social Security	\$1.371	\$0.327	\$0.080	\$0.056	\$0.166	\$0.741
Annualized Aggregate Social Security Benefits (\$ in billions)						
Children in families that receive Social Security	\$45.934	\$16.700	\$3.688	\$2.096	\$4.527	\$18.923
Child beneficiaries and children of parents or guardians that receive Social Security	\$29.482	\$12.771	\$2.724	\$1.430	\$2.531	\$10.026
Children in families where only extended or other family members receive Social Security	\$16.452	\$3.929	\$0.964	\$0.666	\$1.995	\$8.897
Percent Distribution						
Children in families that receive Social Security	100.0%	36.4%	8.0%	4.6%	9.9%	41.2%
Child beneficiaries and children of parents or guardians that receive Social Security	100.0%	43.3%	9.2%	4.9%	8.6%	34.0%
Children in families where only extended or other family members receive Social Security	100.0%	23.9%	5.9%	4.0%	12.1%	54.1%

Source: Congressional Research Service (CRS) estimates based on analysis of U.S. Census Bureau Survey of Income and Program Participation 2004 Panel data.

Limitations

It should be noted that the estimates presented in this report are based on survey data and are subject to respondent misreporting. Additionally, the SIPP data do not provide the comprehensive detail to precisely identify child beneficiaries. It should also be noted that estimates of the pre-transfer poverty status of children (i.e., poverty status excluding Social Security from total income) provide one measure of the relative importance of Social Security in combating poverty. The pre-transfer poverty estimates should not be confused with the full effects on poverty of eliminating the Social Security program, as some individuals would alter their behavior in absence of the program.

Appendix A. Methodology

Identifying Child Social Security Beneficiaries on the SIPP

It is not possible to precisely identify the Social Security beneficiary status of children on the SIPP. The SIPP collects information on Social Security receipt and the reasons for receipt for persons age 15 and over. Additionally, it collects information about whether an adult (defined as a person age 15 and over) collects Social Security on behalf of children under age 21. In such cases, however, it does not identify the specific children in the family for whom Social Security benefits are received, nor the specific reason(s) benefits are received on children's behalf. In such cases it is uncertain whether all or only some children under 21 in the family are direct beneficiaries. Moreover, some adults may include the child's portion of their Social Security benefit as their own, without explicitly indicating that they received Social Security on behalf of a child.

In total, about 6.5 million children under age 18 were identified on the SIPP in January 2005 as living in families in which Social Security benefits were reported, either on their own behalf, or on behalf of another family member.

In this analysis, *all children* of a parent (or guardian) who are under the age of 18 are identified as Social Security child beneficiaries if the child's parent or guardian reported that he/she received Social Security on behalf of *a child* under age 21 in the family. To some extent, this method will overstate the number of children under age 18 who received Social Security, as potentially some, but not all, children of the parent may be beneficiaries in their own right.³ In January 2005, an estimated 2.758 million children under age 18 on the SIPP were identified as Social Security child beneficiaries on the basis of a parent or guardian indicating that they had received Social Security benefits on behalf of a child. Another 48,000 children ages 15 to 17 reported directly receiving Social Security on the SIPP in January 2005. Thus, an estimated 2.807 million children were identified on the SIPP as potential Social Security child beneficiaries.

An additional 1.332 million children lived with a parent or guardian who reported receiving Social Security on the SIPP in January 2005, but who did not indicate that benefits were received on behalf of a child. In some cases the benefits received by these parents or guardians may contain an allowance for beneficiary children that is not separately identified.

Because of issues in identifying child beneficiaries on the SIPP and the avenues by which they receive Social Security (e.g., child survivor, dependent of a retiree or disabled worker), the two groups mentioned above are combined for purposes of analysis as "*child beneficiaries and children of parents or guardians that receive Social Security.*" These 4.1 million children are differentiated from the remaining

³ For example, some children of the parent may be surviving children from a previous marriage, and others may be adopted stepchildren from a current marriage. In this case, the children from the previous marriage might be eligible for survivor's benefits, but the adopted stepchildren from the current marriage would not.

2.361 million children who live in families in which Social Security was received only by extended family (e.g, grandparents, aunts, uncles, nieces or nephews) or other family members (adult sibling). For the former group, Social Security's effect on child poverty is more directly related to Social Security policy, whereas for the latter group, Social Security's effect on child poverty is incidental, being more directly related to children's incidental family living arrangements.