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The economic status of the older population has improved significantly since the early 1970s. Yet poverty rates among certain groups of elderly, especially older minorities, have declined very little. To understand the reasons for these seemingly contradictory trends, changes in the income composition of the elderly in Boston are compared to changes in income for the elderly in the United States. This analysis suggests that low-income older persons were largely bypassed by one of the major factors in income growth among the older population — growth in pension income.

Despite the persistence of poverty among significant segments of the older population, it does not appear likely that federal programs for the aged poor will be expanded in the near future (given the current political environment engendered by large federal deficits). If this is the case, it suggests an increased role for state and local policy initiatives to improve the economic status of the aged poor. The number of such state and local policy options is limited, however. Employment programs might be helpful for improving the incomes of some older persons, but labor force participation rates among the aged poor are already very high. Many of the remaining elderly in poverty have health limitations or lack the necessary job skills for employment, even if training were more readily available. The most promising option for improving the cash incomes of the elderly living in poverty is to increase the state supplementation of SSI benefits, especially for older persons living alone.

It is now widely recognized that the per capita incomes of older persons rose substantially during the 1970s and early 1980s and are now similar to those for the general population.[1] For example, in 1970, the real median income of families headed by an elderly person (defined here to be a person aged 65 or older) was $12,965 (in 1983 dollars); by 1983, it had increased to $16,862.[2] This increase in the real income of older persons was largely the result of liberalizations in Social Security benefits legislated in the 1970s. In addition, a growing segment of the labor force became eligible during the 1970s to receive private pension benefits. This was the delayed result of private pension plan expansion during the 1950s and 1960s.

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Unfortunately, the real incomes of persons under age 65 did not fare as well as those of older persons during the 1970s. In real terms, the median incomes of families headed by persons aged 25 to 64 remained virtually constant over the 1970–1983 period. The rapid growth of income of the elderly, in contrast to the relative stagnation of income growth among the younger population, has led many to assert that the income problems of the elderly have been solved.[3]

Income comparisons of older and younger populations, however, must take account of many factors. In 1985, the median income of younger households was $23,618; for older households it was $13,254. A naive comparison based on household income would suggest that younger households are far more affluent than older households. But correcting for the fact that younger households tend to be larger leads to a different conclusion. Average 1985 per capita income was $11,304 for elderly households and $10,975 for younger households — providing support for those who would like to see further constraints placed on public programs for the elderly. But per capita income comparisons ignore economics of scale in households, thereby overadjusting for the differences in the average size of older and younger households. Careful estimates that take account of household economies of scale indicate that the incomes of older and younger households are roughly equivalent.

Nevertheless, the economic problems of several elderly subgroups have *not* been solved. Policies designed to improve the economic status of the general older population are not the same as policies to improve the economic status of older persons in poverty. This is reflected in Table 1, which shows that although the poverty rate among the older population declined from 24.6 percent in 1970 to 12.4 percent in 1986, not all older persons share equally in this progress. For instance, Table 1 indicates that the poverty rate was 8.2 percent among white females living in families in 1986. But among black females living in families, the poverty rate was 27.8 percent; and among black females living alone it was 59.7 percent.

Why have high poverty rates been so stubborn for certain segments of the older population? This article argues that the answer lies in understanding how income sources differ for various subsets of the older population as well as how these sources are influenced by public policies. In particular, it will be demonstrated that there are systematic differences between the income sources of older persons above and below the poverty level. Because of this, public policies during the 1970s and early 1980s have tended to benefit the general older population much more than the elderly in poverty. Moreover, further reductions in poverty among the elderly are unlikely to occur as a result of national income maintenance policies targeted to the total older population.

In addition, the incidence of poverty among older persons in particular local areas will be influenced by the representation of high-risk demographic groups (i.e., demographic groups prone to low incomes) and the performance of the economy in these areas. This article examines the role of state and local policies in improving the economic status of older persons living in poverty. To illustrate the interaction of federal, state, and local policies in concrete fashion, Annual Housing Survey data for the Boston metropolitan area are used to trace changes in the economic status of older persons over the period 1974–1981. The findings are not optimistic. The data indicate that the number of state and local policy options for reducing poverty among the elderly is limited.

On the other hand, there is room for improving the effectiveness of these options. Such improvements, if pursued with sufficient vigor, could have a substantial impact on poverty rates among the older population.

Table 1

Percentage of Elderly Below the Poverty Level, Nationwide, by Family Status, Race, and Sex, 1970–1986

Family Status	Black			White			Total
	Male	Female	Total	Male	Female	Total	
All family statuses							
1970	41.2	52.5	47.7	17.1	26.5	22.6	24.6
1974	25.9	40.4	34.3	9.3	15.3	12.8	14.6
1977	29.7	41.1	36.3	8.3	14.4	11.9	14.1
1981	32.2	43.5	39.0	8.5	16.2	13.1	15.3
1986	24.2	35.5	31.0	6.9	13.3	10.7	12.4
In families							
1970	36.9	37.1	36.9	13.2	12.6	12.9	14.8
1974	21.4	23.1	22.4	6.6	6.0	6.3	7.6
1977	25.4	28.6	27.1	6.0	5.8	5.9	7.8
1981	27.0	27.0	27.1	6.5	7.1	6.8	8.4
1986	19.5	27.8	22.1	4.9	8.2	5.4	7.0
Unrelated individuals							
1970	58.5	78.2	72.3	36.1	47.5	44.8	47.2
1974	38.1	68.2	58.0	23.6	28.7	27.6	30.3
1977	39.4	60.7	52.9	20.1	25.8	24.6	27.3
1981	45.1	64.3	58.8	19.7	28.2	26.5	29.8
1986	39.8	59.7	53.9	16.7	23.7	22.1	25.2

Source: U.S. Bureau of the Census, "Characteristics of the Population Below the Poverty Level," *Current Population Reports,* Series P-60 (Washington, DC: Government Printing Office).

Aggregate Trends in the Economic Status of the Older Population

The most comprehensive intercensal source of information on Boston's older population is the Annual Housing Survey (AHS). The AHS has an important advantage over the Decennial Census of Population and Housing for examining recent changes in the economic status of Boston's aged, namely the provision of income information for critical years *during* the 1970s. During the 1970s, national legislation (especially the 1972 Social Security amendments), in combination with trends in labor force participation and the expansion of private pension coverage, had important impacts on the incomes of older households. To examine how these factors influenced the economic status of alternative subgroups of the older population, it is necessary to have income data for more years than provided by the Decennial Census. For specific metropolitan areas, this criterion is fulfilled only by the AHS.[4]

The specific metropolitan areas included in each wave of the AHS are surveyed approximately every three years on a rotating basis. At the time of this study, Boston data were available for 1974, 1977, and 1981. Using the AHS, percentage changes in real mean and median income levels (in 1981 dollars) were calculated for several elderly subgroups for 1974–1981. Table 2 compares these results to the corresponding national changes in real elderly income. Trends in both mean and median incomes are shown to account for the fact that incomes among the elderly are highly skewed. That is, a relatively small group of

Table 2

Percentage Change in Real Mean and Median Incomes (1981 dollars) of Elderly Families in Boston and in the United States, by Race and Sex, 1974–1981

	All Households	Race of Family Head		Sex of Family Head	
		White	Black	Male	Female
Boston					
Mean	−9	−9	−23	−12	−1
Median	−2	−2	−18	−6	−6
United States					
Mean	13	14	1	15	1
Median	14	14	1	17	−7

Sources: Boston: Tabulation of Annual Housing Survey data. United States: U.S. Bureau of the Census, "Consumer Income," *Current Population Reports,* Series P-60 (Washington DC: Government Printing Office).

Based on less than 100 cases.

the elderly with very high incomes tend to pull the mean income statistics upward, rendering the mean a biased indicator of the incomes of most older persons.[5] Because of this, researchers generally prefer the median as a measure of central tendency when examining income distributions.

The most striking finding presented in Table 2 is the 1974–1981 decline in the real income (as measured by both the mean and median) of elderly households in Boston. Every elderly subgroup examined experienced such a decline. This pattern of declining income among Boston's elderly is in sharp contrast to the increases in real income among nearly all elderly subgroups nationwide. Of the groups studied, only the median incomes of female-headed older households experienced a decline in real income over 1974–1981.

One must be cautious in making too much of this disparity because of data reliability issues raised by fluctuations in the sample size of the AHS from year to year. The 1974 Boston AHS contained information on 2,718 elderly households. In 1977, the sample included 2,297 elderly households. But in 1981, the sample size was reduced to only 868 older households. Moreover, information was available for less than 100 older black households in each of the three years. This problem was particularly acute in 1981, when the sample included only 29 black elderly households.

Nevertheless, the sample size in each year should be sufficient to provide reliable estimates for the incomes of all Boston elderly households. Table 2 clearly shows that both mean and median real incomes of older Boston households declined over 1974–1981, in contrast to the increases in real income experienced by elderly households nationwide.

It is also important to note that real income gains among the national older population over 1974–1981 differed among elderly subgroups. Older males and whites experienced large gains in real income, but older females and blacks experienced almost no increases in real income. In fact, the real median income of households headed by older women actually declined by 7 percent.

Trends in Income Versus Trends in Poverty

Table 1 demonstrates that there is great disparity in the distribution of poverty among the older population. Regardless of family status, blacks have systematically higher poverty rates than whites, and females have systematically higher poverty rates than males. It is not surprising, therefore, that the income statistics in Table 2 reflect a pattern that is consistent with the poverty rates in Table 1.[6]

There are structural reasons for the higher incidence of poverty among certain elderly subpopulations. Males tend to live in families (i.e., with their spouses), whereas elderly women are more likely to be widowed. For most older couples, death of the spouse results in a one-third reduction in Social Security benefits and (until recently) often the cessation of private pension benefits as well.[7] Men are also more likely than women to have continuous work histories and are therefore more apt to fulfill private pension vesting requirements. In addition, men are more likely than women to work in industries and occupations with good private pension coverage. Finally, Social Security and private pension benefits tend to be higher for men because men tend to be paid more than women for the same work.

Similar reasons explain lower incomes among the older black population. Like women, blacks tend to be paid less than white males, to have interrupted work histories, and to work in industries and occupations with poor pension coverage. The structural characteristics of the labor market faced by women and blacks in their working years eventually manifest themselves as inadequate income in retirement.

With this in mind, what was the relationship between the trends in median incomes discussed above and patterns in poverty rates among elderly subpopulations? Using the national median income statistics reported in Table 2, in conjunction with the poverty statistics in Table 1, we can examine this question for older blacks and whites over the period 1974–1981.

Table 1 indicates that poverty rates for older blacks *increased* from 34 percent in 1974 to 39 percent in 1981. This increase in poverty among older blacks reflects the failure of median elderly black incomes to keep pace with inflation from 1974 to 1981. Similarly, Table 1 indicates that the poverty rate among older whites increased from 12.8 percent in 1974 to 13.1 pecent in 1981. The upward trend in poverty among older whites (and the older population in general) at first seems counterintuitive, since the median incomes of older whites increased substantially faster than inflation over 1974–1981. However, the seemingly inconsistent trends in elderly poverty and median income growth are perfectly compatible if the factors leading to income growth among the older population in general do not affect the incomes of those in poverty.

How do trends in poverty among Boston's older population compare with those of the national elderly popoulation? A partial answer is provided by Table 3, which reports trends in poverty among the elderly in Boston and the United States, differentiated by family status. It is apparent that over the period 1969–1979 poverty among older individuals and families declined substantially in Boston and in the country as a whole. Most of this decline resulted from the 1972 Social Security amendments, which significantly increased benefit levels.[8] The same phenomenon is illustrated more clearly in Table 1 by the sharp drop in poverty rates for all elderly subpopulations between 1970 and 1974.

The 1972 Social Security amendments also legislated automatic cost of living adjustments (COLAs) so that benefits would keep pace with inflation. The COLAs were responsible for the relative stability of poverty rates between 1974 and 1981 (since poverty

Table 3

Percentage of Elderly Persons Below the Poverty Level in Boston and in the United States, by Family Type, 1969 and 1979

	1969		1979	
Family Status	Boston	United States	Boston	United States
In families	8.9	17.6	7.4	8.4
Unrelated individuals	40.2	47.3	20.1	29.4
All family statuses	*	25.1	12.9	14.7

*Data not available.

Source: U.S. Bureau of the Census, "Characteristics of the Population: Massachusetts," *1970 Census of Population,* vol.1, part 23 (Washington, DC: Government Printing Office, 1973). U.S. Bureau of the Census, "Detailed Population Characteristics: Massachusetts," *1980 Census of Population and Housing,* vol.1 part 23 (Washington, DC: Government Printing Office, 1983). U.S. Bureau of the Census, "Characteristics of the Population Below the Poverty Level: 1984," *Current Population Reports,* Series P-60, no. 152 (Washington, DC: Government Printing Office, 1985).

levels are also adjusted to reflect price increases).[9] Gains in real income among the general older population were spurred by the expansion of private pension receipt during the 1970s.

The similarity of *trends* in poverty among the older population in Boston and in the nation is instructive in understanding the underlying factors that influence these trends. Income levels and poverty rates in any locality will differ from corresponding national statistics because of differences in the performance of the local economy and demographic composition. Nevertheless, it seems clear that trends in the economic status of most older persons during the 1970s were strongly influenced by Social Security and private pension policies.

The effect of these policies on the elderly poor, however, has been much smaller. It is true that the 1972 Social Security amendments substantially reduced poverty rates among the elderly in the early 1970s. And since 1975, automatic COLAs have enabled the incomes of poor older persons to largely keep pace with inflation. But poor older persons have not experienced significant real income gains from Social Security since the 1972 amendments, and they have been almost completely bypassed by the expansion of the private pension system.

The preceding discussion raises an important point: policies designed to improve the mean or median income level of the entire older population are not the same as policies designed to reduce poverty among the elderly. As discussed in the next section, most national income maintenance policies for the aged have concentrated on improving income adequacy for the older population as a whole; reductions in poverty among the elderly have occurred mainly as a by-product of this more general policy. Consequently, further reductions in elderly poverty rates are not likely to be achieved through income maintenance policies targeted to the general older population.

The remainder of the article examines trends in income sources among different segments of the older population during the 1970s and early 1980s. Data for Boston and Massachusetts are used in combination with national statistics to identify policy alterna-

tives at each level of government that could be used to reduce poverty rates among the elderly. Although the demographic and economic characteristics of Massachusetts and Boston differ from those of other states and localities, the effect of these differences on policy is a matter of degree rather than kind. Thus, our conclusions should be relevant for policymakers seeking to reduce poverty among the elderly in other states and local areas as well.

Trends in Income Sources

In the previous section, it was shown that recent trends in income growth and poverty rates have differed widely among subgroups of the older population. Why is this the case? One approach to answering this question is to disaggregate the incomes of these different subgroups by source. If the income mix of these subgroups differs systematically, then the groups may have been differentially affected by economic conditions and public policies. Understanding the nature of income differences among elderly subgroups may therefore help to illuminate policy options to improve the economic status of those in need.

Tables 4 and 5 report trends in the income composition of elderly families during the 1970s. Collectively, these tables provide a picture of how the income composition of older families differs by poverty status, race, and sex, as well as how this income composition has shifted over time. Table 4 illustrates trends in the composition of total household income of aged families (with the head of the household aged 65 or older) above and below the poverty level for the United States, Massachusetts, and Boston. In families above poverty, two trends are evident over 1970–1980: (1) the decline in the relative importance of earnings and (2) the increase in the importance of Social Security as an income source. Even more striking is the importance of Social Security as a source of income for families in poverty. As would be expected, the income composition of older families in Boston are more similar to those in Massachusetts than to the national population, regardless of poverty status.

Table 5 focuses on trends in the income composition of elderly Boston families over 1974–1981, disaggregated by sex and race of the head of household. The table provides slightly more detail than Table 4 on asset and pension income as well as shifts in income composition *within* the period 1974–1981. The factors underlying the shifts in the income composition of older households reflected in Tables 4 and 5 are discussed below.

Decline in the Importance of Earnings

One of the most significant trends in Tables 4 and 5 for income maintenance policy is the decline of earnings in the income composition of older families. The reason for the decline in earnings is, of course, the declining labor force participation of older persons.

Table 6 reports trends in labor force participation by age, sex, and race for Massachusetts and the United States. In virtually every age, sex, and race category, labor force participation rates among the older population declined over 1970–1980. The one exception was among older women aged 55 to 59; their labor force participation rates actually increased marginally. There was little difference in the generally downward trends in labor force participation rates between older persons in Massachusetts and in the United States. However, it is interesting to note that the *level* of labor force participation rates of older persons in Massachusetts appears to be significantly higher than in the national older population. This suggests a potential role for increased emphasis on employment

Table 4

Percentage of Elderly Income Derived from Various Sources, in the United States, in Massachusetts, and in Boston, 1969 and 1979

	Wages	Social Security	Dividends, Interest, Rent	Self-Employment	Public Assistance	Other
Untied States						
Above poverty						
1969*	43.3	20.5	†	8.9	1.2	26.0‡
1979	31.8	26.8	20.2	6.3	1.4	13.4
Below poverty						
1969	13.4	66.4	†	0.9	10.6	8.7
1979	11.1	69.4	1.8	−1.3	14.3	4.8
Massachusetts						
Above poverty						
1969*	51.6	16.2	†	7.2	0.9	24.1‡
1979	38.7	25.7	16.4	4.6	1.4	13.2
Below poverty						
1969	10.3	74.0	†	−0.1	5.5	10.3
1979	10.3	71.1	4.6	−0.1	9.2	5.0
Boston						
Above poverty						
1969*	53.0	14.2	†	7.5	0.8	24.6‡
1979	41.3	22.5	17.1	5.3	1.2	12.6
Below poverty						
1969	10.5	73.1	†	0.1	6.2	10.1
1979	10.0	68.9	3.8	0.6	11.3	5.4

*Includes all income levels.

†Data not separately available.

‡Includes income from pensions other than Social Security and income from dividends, interest, and rent.

Sources: U.S. Bureau of the Census, "Characteristics of the Population: Massachusetts," Table 212, *1970 Census of Population,* vol. 1, part 23 (Washington, DC: Government Printing Office, 1973). U.S. Bureau of the Census, "Detailed Population Characteristics: Massachusetts," Table 248, *1980 Census of Population and Housing,* vol. 1, part 23 (Washington, DC: Government Printing Office, 1983). U.S. Bureau of the Census, "Characteristics of the Population: United States Summary," Table 264, *1970 Census of Population,* vol. 1, part 1 (Washington, DC: Government Printing Office, 1973). U.S. Bureau of the Census, "Detailed Population Characteristics: United States Summary," Table 307, *1980 Census of Population and Housing,* vol. 1, part 1 (Washington, DC: Government Printing Office).

policies as a mechanism for improving the economic status of older persons, especially in Massachusetts where there seems to be a greater inclination on the part of older persons to participate in the labor force.

Social Security

The disincentive effects of Social Security on labor force participation stem from two aspects of eligibility criteria for Social Security. Perhaps the most important of these is the availability of full benefits at age 65 and of less than actuarially reduced benefits begin-

Table 5

Percentage of Elderly Income Derived from Various Sources, in Boston, 1974–1981

	Wages	Social Security	Dividends, Interest, Rent	Self-Employment	Public Assistance	Pension	Other
All Households							
1974	34.1	29.2	13.5	8.3	7.4	*	7.5†
1977	26.4	34.9	16.8	5.3	1.3	14.6	0.8
1981	24.8	41.0	15.2	5.0	0.9	13.0	0.2
Individuals							
Male							
1974	36.5	26.7	11.7	10.5	6.9	*	7.7†
1977	27.6	32.7	15.2	7.1	1.0	16.0	0.5
1981	26.7	38.1	13.0	6.7	0.5	14.9	0.2
Female							
1974	29.3	34.2	16.9	4.0	8.5	*	7.1†
1978	24.4	38.5	19.5	2.3	1.9	12.3	1.2
1981	21.7	45.7	18.8	2.1	1.6	9.9	0.2
White							
1974	33.9	29.1	13.6	8.5	7.4	*	7.5†
1977	26.4	34.8	16.9	5.3	1.3	14.6	0.7
1981	24.7	41.0	15.4	4.9	0.9	12.9	0.2
Black							
1974‡	44.7	37.1	6.0	—	6.6	*	5.6†
1978‡,§	29.6	52.0	6.3	0.5	4.4	7.0	0.2
1981‡,§	32.9	41.6	2.8	—	5.4	17.3	—

*Data not separately available.

†Includes pension income.

‡Based on less than 100 cases.

§Based on unweighted data.

Sources: Tabulations of AHS data. U.S. Bureau of the Census, "Characteristics of the Population: United States Summary," Table 216, *1970 Census of Population,* vol. 1, part 1 (Washington, DC: Government Printing Office, 1973). U.S. Bureau of the Census, "Detailed Population Characteristics: United States Summary," Table 272, *1980 Census of Population and Housing,* vol. 1, part 1 (Washington, DC: Government Printing Office, 1983).

ning at age 62. Of course, it is not only the availability of benefits but the perceived adequacy of these benefits that affects the retirement decision. As discussed in the previous section, the adequacy of Social Security benefits was substantially increased by the 1972 Social Security amendments, which legislated significant benefit liberalizations as well as automatic cost of living adjustments (COLAs) tied to the consumer price index.

In addition to eligibility criteria and adequacy of benefits, retirement decisions may be influenced by the Social Security earnings test. Under the earnings test, benefits are reduced by fifty cents for each dollar of earnings above an exempt level (which changes periodically). Several studies have found that the earnings test is a deterrent to labor force participation.[10]

The poor macroeconomic conditions of the late 1970s and early 1980s accentuated the decline in the importance of earnings and the rise in the importance of Social Security in

Table 6

Labor Force Participation Rates in Massachusetts and in the United States, by Age, Race, and Sex, 1970 and 1980

Age	Male Total	Male White	Male Black	Female Total	Female White	Female Black
Massachusetts						
1970						
55–59	90.0	90.1	80.5	57.2	57.2	55.7
60–64	79.7	79.9	70.7	46.8	46.8	44.4
65–69	46.7	46.9	37.3	22.7	22.6	26.2
70–74	26.0	26.0	24.8	10.7	10.6	15.9
75+	13.6	13.7	13.8	5.0	4.9	9.5
1980						
55–59	85.5	85.9	74.0	57.6	57.7	57.0
60–64	67.7	67.9	59.6	42.0	42.0	44.6
65–69	31.9	32.1	25.0	17.2	17.1	19.8
70–74	19.2	19.3	17.7	8.1	8.1	9.8
75+	8.6	8.6	8.7	3.0	3.0	6.3
United States						
1970						
55–59	86.8	87.6	77.9	47.4	47.1	50.2
60–64	73.0	73.7	65.9	36.1	35.9	38.8
65–69	39.0	39.3	35.4	17.2	17.0	19.4
70–74	22.4	22.7	19.6	9.1	8.9	11.6
75+	12.0	12.0	12.0	4.7	4.5	7.1
1980						
55–59	80.6	81.8	69.4	48.4	48.2	50.2
60–64	60.4	61.0	53.7	34.0	33.8	36.9
65–69	29.2	29.5	26.1	15.0	14.8	16.9
70–74	18.3	18.5	16.3	7.8	7.7	9.3
75+	9.1	9.1	8.9	3.2	3.0	4.9

Sources: U.S. Bureau of the Census, "Characteristics of the Population: Massachusetts," Table 165, *1970 Census of Population,* vol. 1, part 23 (Washington, DC: Government Printing Office, 1973). U.S. Bureau of the Census, "Detailed Population Characteristics: Massachusetts," Table 213 ,*1980 Census of Population and Housing,* vol. 1, part 23 (Washington, DC: Government Printing Office, 1983).

the income mix of elderly households. It did so by presenting older workers with poor labor market conditions, stimulating firms to offer early retirement programs to trim their labor forces and increasing the size of Social Security benefits through substantial inflation adjustments. These factors are reflected in Tables 4 and 5 through both the declining importance of earnings and the increasing importance of Social Security in the composition of elderly household incomes over 1974–1981.

As indicated in Table 1 by the reduction in poverty accompanying the 1972 amendments, Social Security is a potentially powerful mechanism for reducing poverty among the aged. But, as will be discussed in the following section, there are many political issues surrounding increased targeting of Social Security benefits to the poor.

Dividends, Interest, and Rent

One of the most misleading facets of Tables 4 and 5 is the importance of dividends, inter-

est, and rent in the income composition of the elderly. Although asset income makes a significant contribution to the income of the elderly in aggregate, the distribution of this income among the older population is highly skewed. For example, in 1981, mean asset income for all elderly households in Boston was $1,867, but the median value was only $200. Moreover, 40 percent of elderly households had no asset income at all. This is reflected in Table 4 by the differential between the importance of asset income in the income composition of older families above and below poverty. As would be expected, the distribution of asset income was less skewed among older males, elderly couples, and whites than it was among older females, elderly individuals, and blacks. These findings are similar to those of other studies. For example, using a nationally representative sample, a recent study[11] found that in 1982, 32 percent of all elderly households had no asset income, and another 31 percent reported asset incomes of under $500 per year.

Public Assistance

Table 5 indicates that the importance of Supplemental Security Income (SSI) and other public assistance[12] in the income composition of older Boston households has diminished over time.[13] In 1974, income from SSI and other public assistance constituted more than 7 percent of aggregate household income for Boston's older population; by 1981, this had declined to less than 1 percent. Of course, income from these sources is concentrated among the poorest segments of the older population. In 1974, about 26 percent of the older population received some sort of public assistance (including SSI); by 1981, this had declined to 9.6 percent and was concentrated among older women and blacks. Although less than 7 percent of households headed by an older male received SSI and/or other public assistance income in 1981, over 12 percent of households headed by older women and 24 percent of older black households received some form of public assistance income. In light of the persistence of poverty among older women and minorities, this suggests that increased cash transfers to the aged poor (e.g., through SSI) might be an effective policy mechanism for lowering poverty rates among the elderly.

Pensions and Miscellaneous

Finally, Table 5 suggests that the importance of pensions (and other income) in the overall income composition of Boston's aged households increased markedly between 1974 and 1977.[14] Unfortunately, it is not possible to directly measure growth in the importance of pension income over 1974–1977 because in 1974 the AHS did not separately identify pension income, including it merely in "other" income. Nevertheless, even if all of 1974 "other income" was pension income, the data indicate tremendous growth in the importance of pensions between 1974 and 1977. Between 1977 and 1981 the relative importance of pensions declined somewhat due to the substantial growth in the importance of Social Security benefits and moderate declines in pension coverage.

As one would expect, pensions are a more important income source for older couples, males, and whites than for elderly individuals, women, and blacks. For example, in 1981 over 43 percent of older couples and 42 percent of households headed by older men received income from pensions other than Social Security. However, the same was true of only 17 percent of older black households and 10 percent of households headed by older women. These results are similar to national statistics.[15]

Finally, it should be noted that the growth in the importance of pension incomes throughout the 1970s was, like the importance of Social Security, a major factor behind early retirement trends. For example, federal employees with thirty years of service can

retire with full benefits at age 55, and most state and local plans provide similarly liberal early retirement benefits. Even more significant are the early retirement incentives built into private pension plans. A study of these plans by the Bureau of Labor Statistics[16] found that over half of all workers in a pension plan were eligible for full retirement benefits before age 65. About the same percentage could receive reduced benefits beginning at age 55.

Implications for Income Maintenance Policy

The preceding discussion suggests that the economic status of the elderly is closely related to the composition of household income. Although absolute levels of income and poverty between Boston's older population and the corresponding national population differ, trends in income and poverty are similar. This is also true of trends in income composition. Whether one looks at data for Boston, the state of Massachusetts, or the entire country, the same trends stand out: the declining importance of earnings and the rising importance of Social Security in the income composition of older households. We saw in the preceding section that it is no accident that the importance of earnings has been declining at the same time as the importance of Social Security has been increasing. It therefore seems reasonable to conclude that Social Security and, to a lesser extent, private pension programs were the driving force behind trends in the economic status of the older population during the 1970s and early 1980s.

But there are some wrinkles. In particular, the income composition of the elderly in poverty is systematically different from that of the elderly with incomes above the poverty line. Although Social Security is the primary source of income for most older persons, it is especially important for older women and minorities. Paradoxically, however, Social Security benefit levels are the *least* adequate for older women and minorities because of the characteristics of their work histories. And, of course, when the effects of race and sex are combined, the detrimental impacts on retirement income are magnified. Thus, it is not surprising that Table 1 indicates such a high incidence of poverty among older black women.

It has been amply demonstrated in the literature[17] that a critical factor in the adequacy of retirement benefits is the receipt of income from more than one source. Because over 90 percent of the elderly (aged 65 and older) receive Social Security benefits, this implies that income from earnings, assets, or a pension in addition to Social Security is crucial in determining the adequacy of the average older person's retirement income.

Until recently, the vesting requirements of most private pension plans required ten years of continuous service. As a result, the work histories of women were likely to result in either low pension benefits or no benefits at all. The 1986 Tax Reform Act required full vesting in single-employer plans after five years of service.[18] This legislation has been projected to increase the pension receipt of older women by 23 percent by the year 2015.[19] These projections, however, do not take account of several provisions in the 1986 act that may result in plan reductions and terminations.[20] Consequently, projections of future growth in pension receipt may be overstated.

It is clear that poverty in old age doesn't just happen. It is the result of the characteristics of Social Security and pension plan provisions, the societal roles of women, racial discrimination, and the lack of access of minorities to better educational and job opportunities. All these factors imply that the elimination of poverty among the aged will not be achieved overnight. Although a great deal of progress was made during the past decade

(mainly as a result of the 1972 Social Security amendments), the remaining "pockets of poverty" will probably prove much more difficult to eliminate.

A variety of policy options can be identified to improve the economic status of the elderly poor. Some of these options are national in scope, such as Social Security and private pension reforms. However, where national policies fall short there is a need for state and local policies to fill the gap. In the following sections, some reforms to private pensions and Social Security are considered that are of current policy interest along with the likely impacts of these reforms on the incomes of the elderly in poverty. Finally, programs to encourage the employment of older workers and issues influencing the effectiveness of SSI within the context of reducing poverty among the elderly in Massachusetts and Boston are examined.

Pension Reform

Many options exist for improving the adequacy of pension incomes in retirement. Two of the most frequently discussed options are increasing pension portability and extending pension plan coverage. A variety of specific proposals have been offered with respect to each option.

Improving the portability of pension plans would enable persons who have interrupted work histories or who change jobs to continue earning credits toward vesting requirements. There are several current examples of limited pension portability, including pension plans in large national companies that provide pension coverage to their employees regardless of their geographical location; multiemployer plans that offer interfirm portability to employees within an industry (e.g., the automotive and steel industries); and government pension plans covering more than one agency. However, such portability is the exception rather than the rule.

Several approaches to improving pension portability have been suggested. One approach is legislation to encourage the development of defined contribution plans, which do not determine benefits as a function of preretirement earnings (in contrast to defined benefit plans, which do). It is not clear, however, that such legislation would ultimately increase pension benefits even if it did succeed in increasing pension portability. Another mechanism for increasing pension portability is tax legislation to discourage spending of preretirement lump sum distributions. Tax legislation has the merit of increasing effective pension portability without requiring changes to the complex pension system itself. The 1986 Tax Reform Act imposes tax penalties on several categories of "cashed out" retirement benefits, but the ultimate effects of this legislation are unclear at this time.

A second approach to increasing the adequacy of retirement incomes provided by pensions is to expand pension coverage. The extent of pension coverage differs by industry, degree of unionization, and size of firm. The most ambitious proposal to increase the extent of pension coverage is to establish a minimum universal pension system.[21] However, while such a mandatory system would increase coverage, it might also create unemployment by raising costs for small employers. In addition, gains in pension income resulting from pension coverage might be offset by declines in other components of compensation (e.g., wages). More moderate methods for encouraging the expansion of pension coverage include changes in ERISA requirements and legislation providing additional tax advantages for small businesses.

Despite the potential benefits from pension reform, it should be noted that major problems with pension income would remain. Notably, most private pension plans fail to sys-

tematically adjust benefits for decreases in purchasing power brought about by inflation over time. This is true even for fully vested workers who change jobs prior to their pension eligibility age, because pension benefits are typically "frozen" when vested workers change employers. The value of private pension benefits continues to be eroded by inflation after pension receipt. This has prompted some to suggest that efforts to improve the adequacy of retirement incomes should be focused on Social Security rather than on public and private pensions. After all, coverage under Social Security is nearly universal, benefits are portable, and benefits are adjusted for inflation.

Social Security Reform

Social Security provisions have been the focus of considerable debate. Two major areas of this debate are (1) the adequacy and equity of the benefits provided to different subgroups of the older population and (2) the effects of Social Security on labor force participation. As discussed below, the debate continues with respect to alternative reforms to improve the adequacy and equity of the Social Security benefit structure. But the 1983 Social Security amendments contained several provisions that may influence the effects of Social Security on the labor force participation of older persons.

Adequacy and Equity of Benefits

In recent years, a great deal of attention has been given to the adequacy and equity of Social Security benefits for older women and low-income workers.[22] Problems with respect to the treatment of women under current Social Security provisions arise because the program was designed with two major family types and patterns of labor force participation in mind: single workers and married couples.[23] Married men were assumed to be lifelong paid workers; married women were assumed to be unpaid homemakers. A number of social trends over the past several decades have rendered these assumptions increasingly unrealistic. For instance, over half of all women were in the labor force in 1984. In addition, the number of women who are divorced, separated, or widowed is rising rapidly.

Several options for improving women's benefits under Social Security have been considered. These options have attempted to address three broad issues:[24] equity and adequacy of spouse and survivors' benefits; fairness in treating one-earner versus two-earner families; and coverage of homemakers and divorced persons. Specific approaches that have been suggested for dealing with these issues include eliminating the spouse benefit and splitting the earnings of husband and wife in calculating benefits; increasing the worker's benefit rate and correspondingly reducing the spouse rate; and extending coverage and benefits to nonsalaried workers. However, while there is widespread consensus that reforms are needed, there is no agreement yet on what the nature of these reforms should be.

Issues of adequacy and equity also arise with respect to how Social Security treats low-income workers. For example, it is frequently argued that Social Security payroll taxes are regressive and therefore represent a greater burden on lower-income than on higher-income workers. The counter to this argument is that Social Security benefit formulas are designed to provide relatively more generous benefits to low-income workers than to high-income workers (as measured by the percentage of preretirement income "replaced" by Social Security). This type of inherent conflict in how Social Security treats low-income workers has led to many proposals to separate the welfare and pension aspects of the program. However, others point out that when explicit distinctions in the

treatment of lower-income and higher-income workers are made, it becomes much more difficult to get political support for improving the situation of the poor.

If specific options could be identified to unambiguously improve Social Security's treatment of women and low-income workers and at the same time to be cost-effective, to not entail the reduction of benefits for other groups, and to not weaken the welfare aspects of the program through the erosion of general political support, these options would be legislated tomorrow. But each of the policy options discussed above has at least one of these drawbacks. Consequently, substantial improvements in the income adequacy of the elderly poor as a result of Social Security reform are not likely in the near term.

Impacts on Labor Force Participation

In addition to issues of adequacy and equity, there has been considerable interest in how Social Security influences the retirement decision. As discussed earlier, Social Security through its eligibility criteria and its earnings test appears to have been a major source of encouragement for the early retirement trend. However, several provisions of the 1983 Social Security amendments were designed to encourage workers to remain in the labor force. These provisions include the following:

1. Increasing the delayed retirement credit, beginning in 1990
2. Liberalizing the earnings test, beginning in 1990
3. Incrementally increasing the "normal retirement age" from 65 to 67 beginning in 2000

The delayed retirement credit is currently 3 percent for each year that a worker does not receive benefits between age 65 and 70. The 1983 amendments gradually raise this credit to 8 percent per year between 1990 and 2008. Will increasing the delayed retirement credit be successful in encouraging older workers to remain in the labor force? Probably not. Despite the collective importance of other factors in explaining the retirement decisions of older workers, the literature indicates that two factors dominate: (1) poor health status and (2) sufficient income to retire. An extensive literature has documented the importance of poor health as a predictor of early retirement.[25] While health problems are undeniably a major factor in retirement decisions, however, declining labor force participation rates cannot be explained by deteriorating health among the older population.[26] Rather, the primary impetus for early retirement trends has been the increase in retirement income brought about by Social Security benefit increases and expanded pension coverage.[27] As long as retirement incomes remain high enough, the retirement decisions of older workers will probably not be influenced strongly by increasing the delayed retirement credit.

Similarly, the liberalization of the earnings test is designed to abate the tide of early retirements. Under current law, one dollar in benefits is withheld for each two dollars of earnings above an exempt amount that changes each year. Beginning in 1990, one dollar in benefits will be withheld for each three dollars in earnings above the exempt amount. Thus the "tax" on nonexempt earnings will decline from 50 percent to 33 percent. However, as with the delayed retirement credit, this policy is unlikely to influence the retirement decision of most older workers.

Finally, as a result of the 1983 Social Security amendments, the normal retirement age is scheduled to gradually increase to 67 beginning in the year 2000. At that time a retiree will still be able to receive reduced benefits at age 62, as is current practice. But the actu-

arial reduction for electing to take early retirement benefits will be higher than at present (70 percent of the age 67 benefit versus 80 percent of the age 65 benefit under current law). If the future benefit reductions impair the ability of older persons to afford retirement, it is possible that increasing the normal retirement age may encourage many older persons to remain in the labor force (especially workers with poor retirement incomes).

It is interesting to note that the Social Security Administration actuaries assumed that raising the normal retirement age would result in a large labor force participation response on the part of older workers. However, studies that have simulated the effects of the 1983 amendments on the labor force participation of older persons indicate that these effects are likely to be small — only about one-tenth of the magnitude assumed by the actuaries.[28]

Of course, the 1983 Social Security amendments that are designed to encourage the *continued* labor force participation of older workers have no effect on older persons outside the labor force. Despite the fact that most older persons retire because they are financially able to do so, it is clear that a substantial segment of the older work force retires because of deteriorating health. Many of these older workers, however, might gladly accept part-time employment if it were available. In addition, a comparatively small but significant number of older workers are forced to retire because of age discrimination. Moreover, some people retire of their own accord only to find that retirement is not what they expected. Thus, there appears to be a role for programs that facilitate the employment of older persons.

Employment Policies and the Older Worker

In addition to influencing retirement decisions of older workers at the national level through reforms to Social Security and private pension provisions, it is possible to encourage the labor force participation of older persons more directly through employment programs.

There are currently two major public employment programs for older workers: the Job Training Partnership Act (JTPA) and the Senior Community Service Employment Program (SCSEP). Both are federal programs that are implemented at the local level.

The JTPA was designed to establish a nationwide network of job training programs, some of which are targeted specifically to older workers. The JTPA legislation established two principal training programs. The first of these, Title II, is targeted toward disadvantaged youths and adults (it has no upper age limit). The second, Title III, is targeted toward dislocated workers, including long-term unemployed older workers. In addition, under Section 124(a-d) of JTPA, states are required to set aside 3 percent of their Title III allocation for the training of economically disadvantaged workers aged 55 and older. JTPA programs are meant to be jointly administered by local governments and private agencies. Thus, JTPA programs provide an appropriate focal point for Massachusetts state policy in developing employment programs for older workers within Boston and other communities.

An excellent example of the potential effectiveness of JTPA programs is provided by Operation Able in the greater Boston area. Operation Able is a private, nonprofit organization seeking to match potential employers with older persons (aged 55 and older) who want to work. The Operation Able network consists of twenty-eight agencies in and around Boston that offer services in career counseling, placement, skills training, and support groups. In 1986, more than 4,000 older persons were assisted by Operation Able

in seeking employment. Funding under the JTPA has been used to finance a special program called ABLE LEAD (Local Education Advocacy and Development) to provide job search support to economically disadvantaged older workers in Boston. The LEAD project assisted 242 people in 1986, achieving a 75 percent placement rate for persons enrolled in the program.

Despite its success in Boston, the emphasis of the JTPA on training has been criticized as being less effective than direct job placement. The Senior Community Service Employment Program is designed to provide part-time jobs in community service agencies for low-income persons aged 55 and older. In Massachusetts, this program provides funding for more than 300 jobs through the aging network and an additional 1,200 jobs through national contractors such as the American Association of Retired Persons, Green Thumb, the National Council of Senior Citizens, and the Urban League. However, while these numbers are impressive, they represent only a small fraction of the aged poor population. In Boston alone, there were more than 16,000 persons aged 65 and older in poverty in 1985.[29] Nationwide, of the more than 11 million persons estimated to be eligible for the SCSEP program in 1980, less than one percent participated.[30]

What does the future hold for the employment of older persons in Boston? The answer depends on both the willingness of older persons to work and the level of demand for their services. Two factors appear to be particularly important in increasing labor supply on the part of older persons: the industry/occupation of employment opportunities and the availability of part-time work. Over half of workers aged 65 and older are employed in either managerial and professional jobs or support positions for technical, sales, or administrative occupations. Both types of jobs are concentrated in the wholesale and retail trade and the service industries. Recent labor force projections by the Congressional Budget Office (CBO)[31] indicate that these industries will grow faster than any others in the coming years. Moreover, the projections forecast that more than 70 percent of overall employment growth will occur in the three occupational groups that are the biggest employers of the elderly — services, professional/technical, and clerical.

Table 7 reports recent projections of employment growth in Boston through 1995. It is clear that the service sector is, by far, the largest employer in Boston. Moreover, services are projected to have the fastest growth of any sector in Boston through 1995. Since the service sector is a major employer of older persons, there may be a growing demand for older workers in Boston if the projections of service growth are realized. Through skills training to improve the employability of older persons, job brokerage services, and educational efforts to reduce employer stereotypes about older workers, programs such as Operation Able can help many older persons to find employment who would otherwise not be able to do so. Local agencies can facilitate the employment of older workers through programs such as SCSEP as well as by providing funding and participating in the employment networks of agencies such as Operation Able. An example of the latter role for local agencies is provided by the ABLE LEAD project, which in 1986 was extended into Boston under a grant from the mayor's Office of Jobs and Community Services. Through the collaborative efforts of the mayor's Commission on the Affairs of the Elderly, the Urban League of Eastern Massachusetts, and the Women's Educational and Industrial Union, the ABLE LEAD project is targeting employment services to older displaced homemakers, minorities, and public housing residents.

Although the increased demands for older workers implied by the CBO and Boston Redevelopment Authority projections should increase the earnings potential of many older persons, they probably will not result in major reductions in poverty among the

Table 7

Projections of Employment Growth in Boston, 1985–1995

Industry	1985 Employment (thousands)	Projected 1995 Empolyment (thousands)	Percentage Change 1985–1995
Agriculture and mining	1.3	1.3	—
Construction	13.7	15.1	10.2
Manufacturing	42.5	41.0	−3.5
Transportation and public utilities	36.6	39.0	6.5
Wholesale trade	25.8	26.1	1.2
Retail trade	63.7	70.4	10.5
Finance, insurance, and real estate	85.1	102.0	19.9
Services	225.9	301.8	33.6
Government	99.2	104.2	5.0
Total	593.8	700.9	18.0

Source: Jeffrey P. Brown, *Boston Employment Trends and Projections by Industry,* Report No. 247, Boston Redevelopment Authority, December 1986.

aged. Even with special training, many of those who are poor in old age lack the job skills necessary for consistent employment. Others are in poor health (and thus are unable to work) or are unable to work for a variety of other reasons. Employment programs will not be effective in reducing poverty among these persons.

Moreover, employer stereotypes about the lower productivity of older workers are hard to dispel. Employers may also resist hiring older workers because they fear that older workers will qualify for pension benefits. This may be an even greater problem than in the past because of the five-year vesting required by the 1986 Tax Reform Act. In short, the demand for older workers may not be as great as employment projections suggest.

Supplemental Security Income

SSI is the most obvious program for improving the economic status of older persons in poverty.[32] It is the primary income program specifically designed to increase the money incomes of the elderly poor.[33] There are, however, several major unresolved policy issues concerning SSI. These include the adequacy of benefits, low participation of income-eligible persons, and the stringent nature of the program's eligibility tests. Some of these issues can be addressed at the state and local levels. Others must be dealt with through national legislation.

Adequacy of Benefits

One way to measure the adequacy of SSI benefits is to compare payment levels with the official poverty line. In 1984, federal SSI benefits for elderly couples were about 90 percent of the official poverty line, but these benefits were only about 76 percent of the poverty line for elderly individuals. Therefore, federal SSI benefits appear to discriminate in favor of elderly couples. Although the adequacy of SSI benefits for both elderly individuals and elderly couples has increased since SSI was instituted in 1974, it is nevertheless clear that the federal SSI benefits are not sufficient, in and of themselves, to lift older persons out of poverty.

The adequacy of SSI benefits is significantly improved by state supplementation. In 1984, Massachusetts was more generous than all but three other states (Alaska, California, and Connecticut) in supplementing SSI payments. Counting supplementation, the level of SSI benefits in Massachusetts was 7 percent above the poverty line for individuals and 29 percent above the poverty line for couples. Given that poverty rates are much higher among elderly individuals than among couples, increasing the state supplementation of SSI benefits to single, poor older persons should be an effective mechanism for reducing poverty among the elderly in Boston and Massachusetts in general. In addition, such an approach would help to reduce the inequities in how the SSI program treats elderly individuals and couples. However, low participation rates of the income-eligible population hamper the effectiveness of SSI in reducing poverty among the elderly poor.

Participation Rates

Increasing the state supplementation of SSI benefits will do little to help those who are eligible for the program but for some reason do not participate. It has been estimated in several national studies that 30 to 50 percent of the elderly eligible for SSI benefits do not participate in the program.[34] A number of reasons for the low participation rates have been cited in the literature, but two appear to be particularly important: (1) lack of information about the program and (2) the welfare stigma attached to SSI benefits.[35]

Despite major efforts by the Social Security Administration to disseminate information about SSI,[36] almost half of eligible nonparticipants have never heard of the program.[37] To improve public knowledge about SSI, the Social Security Administration is currently in the midst of a major outreach program mandated by the 1983 Social Security amendments.

One of the motivations for the 1974 SSI legislation was to reduce the stigma attached to Old Age Assistance, the former name of the program. It was hoped that renaming it Supplemental Security Income and establishing administrative authority for SSI with the Social Security Administration would be helpful in this regard. While James Schulz[38] notes that some progress has been made in reducing the welfare stigma attached to SSI, Linda Drazga and co-workers[39] found that welfare stigma represented a participation barrier for about one-third of the eligible nonparticipants surveyed. State and local agencies could aid the Social Security Administration in its outreach efforts (perhaps through a vigorous media campaign) and help to reduce the problem of SSI welfare stigma by working with the aging network to disseminate information about the program. SSI also contains a series of stringent asset tests that limit participation. Although allowable asset amounts were liberalized by the Deficit Reduction Act of 1984, these tests still screen a substantial segment of the income-eligible older population from participation in the program.[40]

Conclusions

Nationwide, the real incomes of older persons rose dramatically during the 1970s. However, these improvements have been accompanied by shifts in public perceptions regarding the income needs of older persons. The aged are increasingly perceived as a relatively affluent and politically powerful group that is imposing unsustainable demands on the working population. Growing federal budget deficits have dramatized the economic gains of older persons and intensified concerns about the ability of the economy to support an aging population. Efforts to control federal deficits have resulted in cutbacks in social programs for the elderly and nonelderly alike. As a consequence, states and localities

such as Massachusetts and Boston are finding that they must assume increased responsibility for needy persons such as the elderly living in poverty.

This article examined the changing economic status of the older population in Boston, in Massachusetts, and in the United States during the 1970s and early 1980s. Using a combination of data sources — most notably Boston microdata files from the Annual Housing Survey for 1974, 1977, and 1981 — it was shown that despite general improvements in the income levels of older persons, large segments of the elderly population remain in poverty.

To better understand why the incomes of many elderly have failed to rise above the poverty level, trends in the total incomes of aged households were examined, disaggregated by source. This revealed that the income sources of more affluent groups of older persons (especially whites and male-headed households) are systematically different than those of poorer elderly persons (especially blacks and female-headed households). In particular, poor older persons tend to be much more dependent on income from Social Security and public assistance than other elderly. Nevertheless, except for the very affluent, Social Security was the major source of income for the majority of older persons. This suggests that federal policymakers should be careful in enacting legislation that would adversely affect the adequacy of Social Security benefits — particularly when one considers that large numbers of older persons have income levels just above the official poverty line.

The shifting policy context created by the enormous federal deficits and changing public perceptions regarding the economic status of the elderly has created an environment that fosters increased criticism of Social Security. Many would rather see the retirement income needs of older persons met through private savings and/or private pension benefits. But the distribution of private pension benefits and asset income among the elderly in Boston is highly skewed and concentrated among relatively affluent segments of the older population.

A variety of proposals and legislative changes to Social Security and pension plan regulations have been proposed to improve the distribution of income from these sources. However, because the economic ramifications of major reforms are unknown, the likelihood of their implementation is low. Consequently, it seems clear that substantial pockets of poverty will remain among the elderly for the foreseeable future. It is these remaining pockets of poverty that provide the most fertile ground for state and local government policies. This article focused on two broad areas of income maintenance policy for poor older persons — employment programs and SSI.

Employment programs for older workers are currently of considerable interest to policymakers. The aging population has many policymakers worried about the "burden" of retirees on income maintenance programs. To the extent that older persons can be encouraged to work, they help to support income maintenance programs for others and reduce pension system demands. Perhaps more important, there is evidence that labor force participation leads to improved economic status.

However, while employment programs may be useful for older persons who are willing and able to work, they are probably not the answer for many elderly in poverty who lack necessary job skills or whose health prevents them from working. For these individuals, direct income transfers through SSI represent a more effective mechanism for reducing poverty. Unfortunately, the SSI program is not without problems of its own. Benefits are low, especially for older individuals. Asset and income eligibility tests are extremely stringent, hampering the effectiveness of SSI in reducing the debilitating effects of pov-

erty on those who are functionally destitute. Finally, participation rates in SSI, even among the eligible population, are very low.

The commonwealth of Massachusetts (and other states) can improve the adequacy of SSI by increasing the state supplementation of benefits, especially for poor individuals. This should be coupled with outreach efforts designed to reduce the welfare stigma associated with the receipt of SSI benefits and to educate the public about the availability of benefits.

Of course, employment programs and SSI are not the only mechanisms for improving the effective economic status of poor older persons in Boston. Others include food stamps, energy subsidies, medical programs, and housing subsidies/public housing. Most of these programs can also be influenced by state and local policies.

Of course, whether the program is SSI or Medicaid, current policies to address poverty among the elderly treat its symptoms and not its underlying causes. In the long run, the most effective programs to eradicate poverty among older Boston residents and the population at large will be those that strike at the structural roots of poverty. The availability of quality day care at an affordable price, the promotion of flex-time policies and more liberal maternal leave policies could be major long-term factors in lessening the effects of social roles on the work histories of women. Similarly, equal pay for equal work (regardless of sex and race) and equal access to educational and job opportunities for minorities could eliminate many of the forces that currently ensure that those who are poor during their working years remain destitute in retirement.

Notes

1. James H. Schulz, *The Economics of Aging,* 4th ed. (Dover, MA: Auburn House, 1988); Daniel Radner, "Changes in the Money Income of the Aged and Nonaged, 1967–1983," *Studies in Income Distribution* (Washington, DC: Office of Research, Statistics, and International Policy, Social Security Administration, 1986).
2. William Crown and James Schulz, *Private Expenditures Related to the Support of Younger and Older Persons Not in the Labor Force* (Waltham, MA: Policy Center on Aging, Brandeis University, 1987).
3. Phillip Longman, "Justice Between Generations," *Atlantic* (June 1985): 73–81.
4. At a national level, this criterion is met by several surveys, most notably the March Current Population Survey.
5. This is significant because policy discussions are often heavily influenced by mean income statistics. For example, it is common to hear child poverty statistics discussed in connection with growth in the average per capita incomes of the elderly (e.g., Samuel Preston, "Children and the Elderly in the U.S.," *Scientific American* 251, no. 6 [December 1984]: 44–49). While there is no denying that child poverty rates are extremely high, the usual implication of such discussions is that expenditures on affluent older persons (such as through Social Security benefits) could be better spent on children in poverty — ignoring the fact that poverty rates among certain segments of the older population are alarmingly high as well.
6. It was not possible to present in Table 2 income statistics differentiated by family status because of sample size limitations. If it were possible to do so, however, the pattern would probably continue to be consistent with the poverty rates in Table 1.
7. Until recently, it was not necessary to involve the spouse in the decision of whether to elect a survivor's benefit in private pensions. Because choosing a survivor's benefit lowers pension

amounts, it was common not to elect a survivor's benefit. Passage of the Retirement Equity Act of 1983 made election of a survivor's benefit the default. Both parties must now agree if the survivor's benefit is to be waived.

8. Schulz, *Economics of Aging.*

9. Prior to the 1972 amendments, Social Security benefits generally kept pace with inflation through ad hoc adjustments by Congress.

10. Anthony Pellechio, "The Effect of the Social Security Retirement Test on the Earnings of Retirement Aged Workers," testimony before the Senate Subcommittee on Social Security, Washington, DC (April 1980); Colin D. Campbell and Rosemary G. Campbell, "Conflicting Views on the Effects of Old-Age and Survivor's Insurance on Retirement," *Economic Inquiry* 14 (September 1976): 369–88.

11. Susan Grad, *Income of the Population 55 and Over, 1982* (Washington, DC: Social Security Administration, U.S. Department of Health and Human Services, 1984).

12. The public assistance data in Table 5 include SSI and welfare cash benefits, unemployment insurance, and worker's compensation but exclude in-kind transfers.

13. Table 4, based on the Decennial Census data, indicates that the importance of public assistance *increased* over 1970–1980. However, the decline in the importance of public assistance indicated by Table 5 is consistent with the findings of other studies. See, for example, Melinda Upp, "Relative Importance of Various Income Sources of the Aged, 1980," *Social Security Bulletin* 46, no. 1 (1983): 3–10; and Jennifer Warlick, "Why Is Poverty After 65 a Woman's Problem?" *Journal of Gerontology* 40, no. 6 (1985): 751–57.

14. This was due to expansion of pension coverage throughout the 1950s, 1960s, and 1970s, in combination with significant increases in the numbers of vested pension plan participants reaching retirement age in the early 1970s.

15. Upp, "Relative Importance of Various Income Sources"; U.S. Senate, Special Committee on Aging, *America in Transition: An Aging Society* (Washington, DC: Government Printing Office, 1985).

16. U.S. Bureau of Labor Statistics, "Retirement Coverage Widespread in Medium and Large Firms, 1985," news release, Washington, DC, U.S. Department of Labor, Bureau of Labor Statistics (April 24, 1986).

17. James H. Schulz, Thomas D. Leavitt, Leslie Kelly, and John Strate, *Private Pension Benefits in the 1970s* (Bryn Mawr, PA: McCahan Foundation for Research in Economic Security, 1982); Cynthia Dittmar and Elizabeth Meier, "Levels and Sources of Retirement Income, " in *Coming of Age: Toward a National Retirement Income Policy* (Washington, DC: President's Commission on Pension Policy, 1981).

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19. David Kennell and John Shields, "The Potential Impact of the Senate Finance Committee Tax Reform Proposals on Retirement Incomes in Future Years," Washington, DC, ICF Incorporated (1986).

20. Employee Benefit Research Institute, "Issue Brief," Washington, DC, Employee Benefit Research Institute (October 1986).

21. ICF Incorporated, *Old, Alone and Poor,* prepared for the Commonwealth Fund Commission on Elderly People Living Alone, Washington, DC, ICF Incorporated (April 1987).

22. Richard Burkhauser and Karen Holden, *A Challenge to Social Security: The Changing Roles of Women and Men in American Society* (New York: Academic Press, 1982).

23. Schulz, *Economics of Aging.*

24. Schulz, *Economics of Aging.*

25. See, for example, Paul Andrisani, "Effects of Health Problems on the Work Experience of Middle-Aged Men," *Industrial Gerontology*, no. 2 (1977): 97–112; E. Palmore, L. George, and G. Fillenbaum, "Predictors of Retirement," *Journal of Gerontology* 37 (1982): 733–42; H. Parnes, J. Crowley, J. Harrison, L. Less, W. Morgan, F. Mott, and G. Nestel, *Retirement Among American Men* (Lexington, MA: Lexington Books, D.C. Heath, 1985).

26. Martynas Ycas, "Recent Changes in Health Near the Age of Retirement," presented at the 1986 Annual Meeting of the Gerontological Society of America, Chicago, IL (1986).

27. K. Anderson and R. Burkhauser, "The Retirement-Health Nexus: A New Measure of an Old Puzzle," *Journal of Human Resources* 20, no. 3 (1985): 315–30; U.S. House of Representatives, Committee on Ways and Means, *Retirement Income for an Aging Population* (Washington, DC: Government Printing Office, 1987).

28. Gary Fields and Olivia Mitchell, *Retirement, Pensions, and Social Security* (Cambridge, MA: MIT Press, 1984); Gary Burtless and Robert Moffit, "The Effect of Social Security Benefits on the Labor Supply of the Aged," in Henry Aaron and Gary Burtless (eds.), *Retirement and Economic Behavior* (Washington, DC: Brookings Institution, 1984).

29. Derived from data presented in Margaret O'Brien, "Demographic Trends in Boston: Some Implications for Municipal Services," *New England Journal of Public Policy* 2, no. 2 (1986): 75–90.

30. SRI International, *Older Worker Employment Comes of Age*, prepared for the National Commission for Employment Policy (Menlo Park, CA: Public Policy Center, SRI International, 1985).

31. As reported in U.S. Senate Special Committee on Aging, *Developments in Aging: 1984*, vol. 1 (Washington, DC: Government Printing Office, 1985).

32. See, for example, the recommendations of ICF Incorporated, *Old, Alone, and Poor.*

33. A variety of other programs provide economic assistance to poor older persons in the form of in-kind benefits (e.g., food stamps, housing assistance, energy assistance, and Medicaid). All of these programs play a role in improving the economic status of poor older persons, but a discussion of in-kind benefit programs is beyond the scope of this article.

34. John A. Menefee, Bea Edwards, and Sylvester J. Schieber, "Analysis of Nonparticipation in the SSI Program," *Social Security Bulletin* 44, no. 6 (1981): 3–21; Warlick, "Why Is Poverty After 65 a Woman's Problem?"; Linda Drazga, Melinda Upp, and V. Reno, "Low-Income Aged: Eligibility and Participation in SSI," *Social Security Bulletin* 45, no. 6 (1982): 28–35.

35. In addition, James Schulz points out that many income-eligible persons may not participate in SSI because they fail the stringent asset tests of the program. Rectifying this problem would require national legislation to change eligibility criteria with respect to assets. See James H. Schulz, "SSI: Origins, Experience, and Unresolved Issues," in *The Supplemental Security Income Program: A 10-Year Overview*, U.S. Senate, Special Committee on Aging Information Paper (Washington, DC: Government Printing Office, 1984): 1–39.

36. Schulz, "SSI: Origins, Experience, and Unresolved Issues."

37. Drazga, Upp, and Reno, "Low-Income Aged."

38. Schulz, "SSI: Origins, Experience, and Unresolved Issues."

39. Drazga, Upp, and Reno, "Low-Income Aged."

40. Thomas Leavitt and James Schulz, *Time to Reform the SSI Asset Test?* (Washington, DC: Public Policy Institute, American Association of Retired Persons, 1988).