Conceptualizing and measuring income security among older adults

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Income security reflects a *balance* between resources and expenses.

**Resources**
- Pension
- Social Security

**Expenses**
- Food
- Medical
- Housing

*Income security*
Income security reflects a balance between resources and expenses.
Goals for my presentation

• Brief comparison of three tools available to evaluate income security

• Expanded description of one of these tools: Elder Index

• What we learn by directing our attention to income security: evaluating patterns of risk
Tools to help measure income security

- Poverty threshold
- Supplemental poverty threshold
- Elder Economic Security Standard Index™
### The indicators are *calculated* differently

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty threshold</td>
<td>Three times the cost of a minimum food diet in 1963, at today’s prices</td>
</tr>
<tr>
<td>Supplemental poverty threshold</td>
<td>The 33\textsuperscript{rd} percentile of expenditures on food, clothing, and housing (including utilities), calculated for households with two children, using Consumer Expenditure Survey Data. The threshold is adjusted to reflect different family types</td>
</tr>
<tr>
<td>Elder Index</td>
<td>Sum of what seniors would spend on food, housing (including utilities), health care, and transportation to meet a modest standard of living</td>
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<td>The indicators reflect geographic variability differently</td>
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<td>----------------------------------------------------------</td>
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<tr>
<td><strong>Poverty threshold</strong></td>
<td>A single threshold is used for all geographic areas</td>
</tr>
<tr>
<td><strong>Supplemental poverty threshold</strong></td>
<td>Includes geographic adjustments based on housing costs, at the level of the metropolitan area</td>
</tr>
<tr>
<td><strong>Elder Index</strong></td>
<td>Includes geographic adjustments based on cost of housing, health care, and transportation, at the county level</td>
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</tbody>
</table>
The indicators differ in *how they take seniors into account*

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<tr>
<td>Poverty threshold</td>
<td>Thresholds are lower for one- and two-person households with heads age 65+</td>
</tr>
<tr>
<td>Supplemental poverty threshold</td>
<td>The threshold is the same for all age groups. A household’s income is adjusted for expenses that may differ by age group (e.g., child care expenses; out-of-pocket medical expenses)</td>
</tr>
<tr>
<td>Elder Index</td>
<td>Each component reflects costs experienced by seniors</td>
</tr>
</tbody>
</table>
An expanded discussion of the Elder Index
Components of the Elder Index: housing

- The cost of renting a one-bedroom apartment
- The amount that senior owners spend on housing, stratified by mortgage status
Components of the Elder Index: medical care

- The cost of Medicare Part B
- The cost of a supplemental policy including Rx coverage
- Estimated remaining out of pocket expenses for medical care
Components of the Elder Index: food

- The cost of food, based on the low-cost food budget issued by USDA.
Components of the Elder Index: transportation

- The cost of transportation is based on the current IRS mileage reimbursement rate, and a statistical estimate of miles driven in different types of communities.
The Elder Index: a geographically specific benchmark for income security (single renters)

- Pittsburgh
- Buffalo
- Chicago
- Tampa
- Seattle
- San Antonio

Income levels:
- $0
- $5,000
- $10,000
- $15,000
- $20,000
- $25,000
- $30,000
The Elder Index: an alternative to the poverty threshold

Poverty threshold = $10,788
Evaluating risk of income security
The income needed to “get by” varies substantially by county

Elder Index for single renters, 2011
Social Security benefits go farther in some communities than in others

Percentage of Index for single renters covered by average Social Security benefit
Income security: the balance between expenses and resources

The Texas-Mexico border has low cost of living, but benefits are also low.

Percentage of Index for single renters covered by average Social Security benefit.
In much of Michigan, high living expenses are balanced by higher average benefits.
Income security is out of reach for many seniors
Income security status of singles living alone, age 65+

- 5.7 million Income secure
- 3.2 million Not poor but insecure
- 2.0 million Poor

Source: calculated from the 2009-2011 American Community Survey microdata, IPUMS.
Income security by age group (singles living alone)

- **Age 65-74**
  - Poor: 18%
  - Not poor but insecure: 25%
  - Income secure: 57%

- **Age 75-84**
  - Poor: 18%
  - Not poor but insecure: 32%
  - Income secure: 50%

- **Age 85+**
  - Poor: 18%
  - Not poor but insecure: 35%
  - Income secure: 48%
Income insecurity by gender (singles living alone)

Men
- Income secure: 61%
- Not poor but insecure: 25%
- Poor: 15%

Women
- Income secure: 49%
- Not poor but insecure: 31%
- Poor: 19%
Income security by ethnicity (singles living alone)

- **Hispanic**
  - Poor: 40%
  - Not poor but insecure: 30%
  - Income secure: 31%

- **Black**
  - Poor: 32%
  - Not poor but insecure: 31%
  - Income secure: 37%

- **White**
  - Poor: 15%
  - Not poor but insecure: 29%
  - Income secure: 56%
Rates of income insecurity are substantially higher than familiar benchmarks suggest.
Summary

• Measuring income security, and evaluating the success of programs in ameliorating insecurity, requires a comprehensive measure of necessary expenses.

• The poverty threshold is far too low to serve this purpose, and fails to take into consideration geographic variability in cost of living.

• Risk of income insecurity is unevenly distributed across communities and demographic groups.