

In the Spring issue of *Monitoring Wisconsin*, the Institute for Survey and Policy Research (ISPR) of the University of Wisconsin-Milwaukee (UWM) presents work-in-progress by a faculty member of the Department of Economics. The article is a summary of ongoing research being conducted by Dr. Keith Bender and Bjorn Eberhardt of UW-Milwaukee. All opinions expressed herein are the authors' alone, and do not necessarily reflect those of ISPR or UW-Milwaukee. For more information on this paper, please contact the author at kabender@uwm.edu.

## The Economic Well-Being of the Elderly in Wisconsin

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### Introduction

With the current debate over Social Security and Medicare reform, the economic well-being of the elderly in society is an important area of interest for both policy makers and the elderly (and soon to be elderly). While much of the policy debate is about benefits in the future, it is also important to look at the current economic well-being of the elderly population. Although studies done by the Social Security Administration describe the well-being of the elderly for the U.S., there is little published research on the situation in Wisconsin. Using data from the Current Population Survey, this report will highlight some key indicators of economic well-being of Wisconsin's 62 and older population.

### Income of Wisconsin's Elderly

To measure economic well-being there are several things that need to be considered. The first is what to measure. Although there are many potential candidates, the most common metric is current income. (Wealth is the other obvious metric, but unfortunately data on the wealth holdings of individuals in Wisconsin are not available.) The second issue is who to measure. Although an obvious unit of observation is the individual, we know that people form groups (e.g. marriages) to share resources, and some recognition of this in describing the economic resources of the elderly is needed. Unfortunately, due to limited data, we cannot fully detail all of the various economic sharing relationships, and so in the analysis in this section we will restrict our analysis to those elderly who are single (although they may live in households of various sizes) and those who are married.

The first column in Table 1 contains data on yearly income by single and married status. Overall average income for singles is \$23,896 while for married individuals (combined) it is \$39,918. The percentage share of income in the other rows show the rela-

tive importance of each source of income. The largest single source is Social Security retirement benefits which are over 56 percent of income for both groups. The second most important source of income is 'Other sources' for singles, at 16.4 percent, while for married couples it is income from pensions, at 19.8 percent.

| Sample and Income Source | Full Sample | 1 <sup>st</sup> Quartile | 2 <sup>nd</sup> Quartile | 3 <sup>rd</sup> Quartile | 4 <sup>th</sup> Quartile |
|--------------------------|-------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>Singles</b>           |             |                          |                          |                          |                          |
| <b>Average Income</b>    | \$23,896    | \$6,842                  | \$13,901                 | \$21,990                 | \$53,576                 |
| <b>Income Share</b>      |             |                          |                          |                          |                          |
| <b>Social Security</b>   | 57.1%       | 77.7%                    | 80.3%                    | 48.4                     | 24.9                     |
| <b>Pensions</b>          | 12.8        | 1.9                      | 5.0                      | 19.9                     | 23.0                     |
| <b>Earnings</b>          | 13.7        | 5.5                      | 5.1                      | 17.4                     | 25.6                     |
| <b>Other sources</b>     | 16.4        | 15.0                     | 9.6                      | 14.3                     | 26.5                     |
| <b>Married</b>           |             |                          |                          |                          |                          |
| <b>Average Income</b>    | \$39,918    | \$17,155                 | \$27,893                 | \$40,664                 | \$76,449                 |
| <b>Income Share</b>      |             |                          |                          |                          |                          |
| <b>Social Security</b>   | 56.5%       | 83.4%                    | 67.5%                    | 46.2%                    | 30.3%                    |
| <b>Pensions</b>          | 19.8        | 6.8                      | 17.1                     | 24.4                     | 30.4                     |
| <b>Earnings</b>          | 11.8        | 1.4                      | 6.4                      | 17.9                     | 21.1                     |
| <b>Other sources</b>     | 11.8        | 8.3                      | 9.0                      | 11.5                     | 18.2                     |

Source: 2003 and 2004 March Supplement of the Current Population Survey. Data are weighted by sample weights

Note: Dollar figures are in 2004 prices. Percentages may not add to 100 due to rounding. Earnings include income from wages, salaries, and net self-employment income.

These averages are instructive about the overall well-being of the elderly, but they may hide differences in various parts of the income distribution. Therefore, the remaining columns of Table 1 contain data for each quartile of the income distribution. The first quartile (i.e. the lowest 25 percent of the income distribution) shows an average income level of \$6,842 for singles and \$17,155 for married couples. Those in the top 25 percent have average incomes of \$53,576 for singles and \$73,449 for married couples.

(continued on page 2).

The most interesting patterns reveal themselves in the income share data. For those in the bottom half of the distribution, Social Security constitutes between 50 and 80 percent of the income of both singles and married couples. Income from earnings and pensions are small, while income from other sources (for this group, mainly income from welfare programs) are between eight and fifteen percent of income.

Moving up the distribution, we see that the relative contributions of income sources change. The relative share of Social Security falls to 24.9 and 30.3 percent for singles and couples, respectively, at the upper end of the income distribution. Indeed at this end of the distribution, all four sources of income contribute relatively equally to total income with nearly all sources contributing more than 20 percent to total income for both groups. Clearly the relative sources of income have an important effect on the overall economic well-being of the elderly in Wisconsin.

Another important way of examining the data is by age group. Table 2 shows the shares of income by four age groups: 62-65, 66-69, 70-74, and 75+ (for the married, we take the age of the oldest spouse). For those in the youngest age groups, all sources of income are relatively important. Social Security provides the most, but earnings are still an important source of

income, constituting 25.7 and 35.7 percent of total income for singles and couples, respectively. Pensions and other sources comprise of just over 40 and 25 percent of single's and couple's incomes, respectively.

As these groups become older, however, Social Security gains in relative importance as a source of income. For the oldest groups, benefits from Social Security are well over 60 percent of income. Earnings are relatively small for this group, while pension income is relatively important for couples and other income sources are relatively important for singles.

**Poverty among the Wisconsin Elderly**

The other key metric to measure economic well-being is the poverty status of the elderly. To do this we drop our distinction between singles and couples and examine the poverty status of each individual. The advantage of doing this is that we can compare the poverty rates by various demographic characteristics of individuals to see where poverty is relatively high or low.

The first column of Table 3 records poverty rates by various demographic characteristics. Overall the poverty rate is 8.4 percent. However, this is considerable dispersion around this rate when one disaggregates by demographic characteristics. Women have poverty rates on average that are twice that of men, while the poverty rate of non-whites are nearly four times that of whites. Sharing

| Sample and Income Source | Age      |          |          |          |
|--------------------------|----------|----------|----------|----------|
|                          | 62-65    | 66-69    | 70-74    | 75+      |
| <b>Singles</b>           |          |          |          |          |
| Average Income           | \$29,045 | \$25,107 | \$36,396 | \$17,395 |
| <b>Income Share</b>      |          |          |          |          |
| Social Security          | 35.2%    | 50.2%    | 47.5%    | 70.9%    |
| Pensions                 | 19.6     | 7.5      | 17.4     | 9.9      |
| Earnings                 | 25.7     | 24.6     | 18.5     | 4.3      |
| Other source             | 19.5     | 17.7     | 16.6     | 14.9     |
| <b>Married</b>           |          |          |          |          |
| Average Income           | \$43,536 | \$45,149 | \$43,290 | \$34,249 |
| <b>Income Share</b>      |          |          |          |          |
| Social Security          | 37.5%    | 52.8%    | 57.8%    | 63.7%    |
| Pensions                 | 16.9     | 19.3     | 26.8     | 17.1     |
| Earnings                 | 35.7     | 17.5     | 5.8      | 4.7      |
| Other source             | 9.9      | 10.5     | 9.5      | 14.5     |

Source: 2003 and 2004 March Supplement of the Current Population Survey. Data are weighted by sample weights  
 Note: Percentages may not add to 100 due to rounding. Age groups for married couples are determined by the age of the oldest spouse. Earnings include income from wages, salaries, and net self-employment income.

| Sample          | Actual | Hypothetical Poverty Rates without This Source of Income |          |          |               |
|-----------------|--------|--|----------|----------|---------------|
|                 |        | Social Security  | Earnings | Pensions | Other Sources |
| All             | 8.4    | 43.2   | 18.5     | 10.4     | 12.5          |
| Men             | 5.2    | 39.4   | 16.0     | 8.0      | 10.2          |
| Women           | 10.8   | 46.1   | 20.5     | 12.2     | 14.3          |
| White           | 7.4    | 42.5   | 17.2     | 9.3      | 11.0          |
| Non-white       | 29.5   | 57.6   | 47.3     | 34.3     | 46.1          |
| Married         | 3.9    | 37.2   | 13.3     | 5.9      | 7.2           |
| Unmarried       | 15.2   | 52.3   | 26.5     | 17.2     | 20.7          |
| Unmarried men   | 10.7   | 51.4   | 21.6     | 16.9     | 19.9          |
| Unmarried women | 16.8   | 52.6   | 28.3     | 17.3     | 21.0          |
| Age 62-65       | 4.9    | 24.1   | 30.4     | 9.3      | 9.1           |
| Age 66-69       | 5.0    | 35.5   | 10.2     | 6.5      | 10.0          |
| Age 70-74       | 8.8    | 43.6   | 14.3     | 10.7     | 11.2          |
| Age 75+         | 11.9   | 58.4   | 17.8     | 12.7     | 16.7          |

Source: 2003 and 2004 March Supplement of the Current Population Survey. Data are weighted by sample weights  
 Note: Earnings include income from wages, salaries, and net self-employment income.

resources by marriage reduces poverty to 3.9 percent. While the poverty rate is 15.2 percent for the unmarried, the rate is 16.8 for unmarried women, compared to only 10.7 percent for unmarried men. The relatively young have poverty rates of approximately five percent, while the 75 and older population have poverty rates over eleven percent.

Given the importance of the various sources of income shown in Tables 1 and 2, it can be interesting to see what would happen to poverty rates when these sources of income were set to zero. This is commonly done with Social Security benefits to show the impact of this program on poverty, but given that other sources of income can be important to overall income, we examine the effect of subtracting out each source of income on poverty. While it is important to recognize that these are hypothetical poverty rates and that behavioral responses to decreases in one source of income may force individuals to look for other sources of income, this exercise is instructive to see the relative contribution of each income source in keeping individuals out of poverty.

The final four columns of Table 3 record the results of this exercise. Unsurprisingly, dropping Social Security causes a large increase in poverty rates from 8.4 to 43.2 percent. This increase is similar for each demographic group. Particularly striking are the poverty rates for non-whites, unmarried men and women, and the 75 and older population who all have hypothetical poverty rates of over 50 percent. Although differences between the groups still exist, the relative rates are much less dramatic. For example, the male poverty rate becomes 39.4 percent compared to the female rate of 46.1 percent.

The poverty effects of other sources of income are less pronounced although still important. Taking away earnings in-

creases the overall poverty rate by over ten percentage points. It further has a relatively large impact on men where the poverty rate triples to 16 percent, non-white individuals where the poverty rate approaches 50 percent, on married individuals where the rate quadruples to 13.3 percent, and on 62-65 year olds where the poverty rate increases from 4.9 to 30.4 percent. Hypothetical poverty rates generated by taking away pension or other sources of income generally have more modest effects on poverty rates.

### Concluding Remarks

On average the economic well-being of the elderly in Wisconsin is good. Income is relatively high and poverty rates are relatively low. That said, there are groups, such as non-whites, unmarried women, and the comparatively old, that experience relatively high rates of poverty.

The analysis of income sources for Wisconsin residents mirrors findings for the nation. Social Security benefits are the single most important source of income for many of the elderly, particularly those at the low end of the income distribution and older individuals. Indeed, although other sources of income can play a role in decreasing poverty rates, Social Security plays the most dominant role, which is likely why the debate over reforming Social Security will be an intense one. ■

**Table 4**  
**Wisconsin Employment Data** (in Thousands)

|  | 1990    | 1995    | 2000    | 2001    | 2002    | 2003    | 2004-1  | 2004-2  | 2004-3  | 2004-4  |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Labor Force</b>                       | 2,598.9 | 2,881.2 | 2,992.3 | 3,032.1 | 3,037.9 | 3,068.7 | 3,076.4 | 3,069.4 | 3,070.6 | 3,068.3 |
| <b>Total Employment</b>                  | 2,486.1 | 2,773.6 | 2,891.2 | 2,898.9 | 2,877.0 | 2,896.7 | 2,911.6 | 2,917.4 | 2,922.3 | 2,925.5 |
| <b>Total Nonfarm</b>                     | 2,291.5 | 2,558.6 | 2,833.8 | 2,813.9 | 2,782.4 | 2,775.3 | 2,729.9 | 2,816.4 | 2,830.2 | 2,836.4 |
| <b>Natural Resources and Mining</b>      | 3.9     | 4.2     | 4.0     | 3.9     | 3.8     | 3.8     | 3.2     | 3.9     | 4.2     | 3.8     |
| <b>Construction</b>                      | 87.9    | 101.7   | 124.8   | 125.4   | 124.1   | 124.1   | 109.6   | 129.1   | 137.4   | 129.1   |
| <b>Manufacturing</b>                     | 523.0   | 566.6   | 594.1   | 560.3   | 528.3   | 504.0   | 493.5   | 501.4   | 509.1   | 503.0   |
| <b>Trade, Trans. &amp; Utilities</b>     | 458.7   | 502.4   | 552.9   | 547.7   | 536.7   | 536.3   | 525.6   | 536.8   | 542.0   | 553.8   |
| <b>Information</b>                       | 44.4    | 45.2    | 53.6    | 53.3    | 51.2    | 50.3    | 50.0    | 49.8    | 49.9    | 50.0    |
| <b>Financial Activities</b>              | 123.9   | 134.3   | 149.1   | 151.8   | 153.8   | 156.9   | 156.6   | 158.5   | 158.2   | 157.0   |
| <b>Professional &amp; Business Serv.</b> | 153.6   | 206.9   | 247.0   | 238.5   | 239.8   | 244.3   | 241.4   | 251.9   | 256.9   | 253.5   |
| <b>Educational &amp; Health Services</b> | 237.4   | 280.4   | 339.6   | 349.6   | 357.2   | 364.6   | 370.6   | 374.9   | 375.9   | 383.9   |
| <b>Leisure and Hospitality</b>           | 199.3   | 217.9   | 236.7   | 238.6   | 240.4   | 245.5   | 230.8   | 254.9   | 269.6   | 244.3   |
| <b>Other Services</b>                    | 116.6   | 120.3   | 126.3   | 131.3   | 132.2   | 132.7   | 133.4   | 135.3   | 136.4   | 135.3   |
| <b>Government</b>                        | 342.9   | 378.7   | 405.6   | 413.7   | 414.8   | 412.9   | 415.2   | 419.8   | 390.6   | 422.7   |

## *About ISPR:*

The Institute for Survey & Policy Research (ISPR), a premier institute dedicated to high quality surveys and policy research, was established in 1968. It is a major resource for the University of Wisconsin-Milwaukee (UWM), the greater Milwaukee area, and the State of Wisconsin. Its services include the following:

- **The Greater Milwaukee Survey** – semiannual cost-shared survey of public opinion in the Milwaukee metropolitan area.
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- **Survey Research** – survey research, program evaluation, needs assessment, policy research.
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- **Data Archive**—US Census Data, ICPSR data, economic data, demographic data.

In addition, the ISPR can help meet your organization's survey needs by providing the following services:

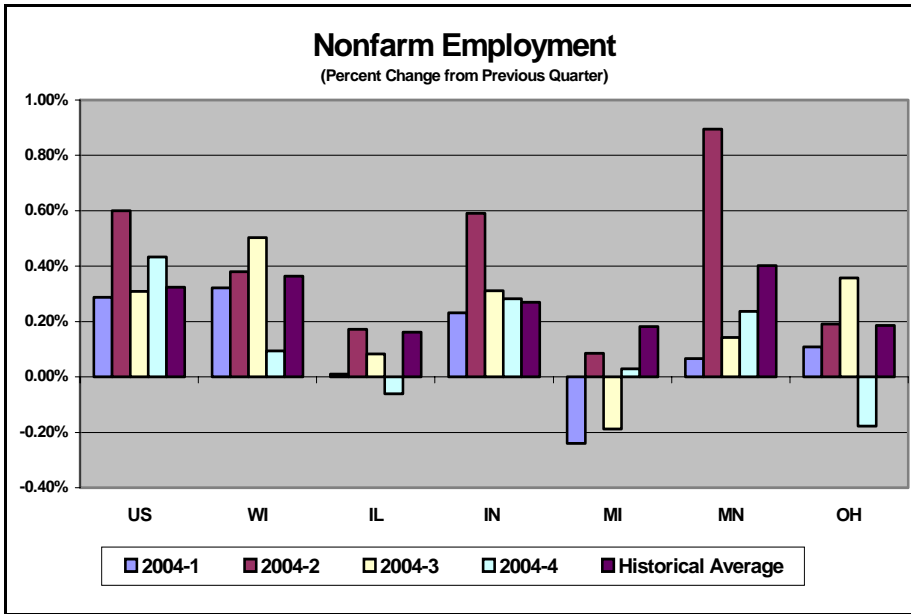
- **Proposal Assistance** – The ISPR can aid in preparing survey cost estimates and the writing of research proposals.
- **Sampling** – The ISPR can help you to choose the proper sampling frames for surveys that your organization conducts.
- **Questionnaire Design** – The ISPR can work with you to create surveys with proper question wording, question order and layout to ensure accurate data collection.
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For more information, please contact Professor Swarnjit S. Arora, Director of ISPR, by email at [ssa2@csd.uwm.edu](mailto:ssa2@csd.uwm.edu) or at 1.414.229.5313. Visit us on the web at <http://www.uwm.edu/Dept/ISPR/>.



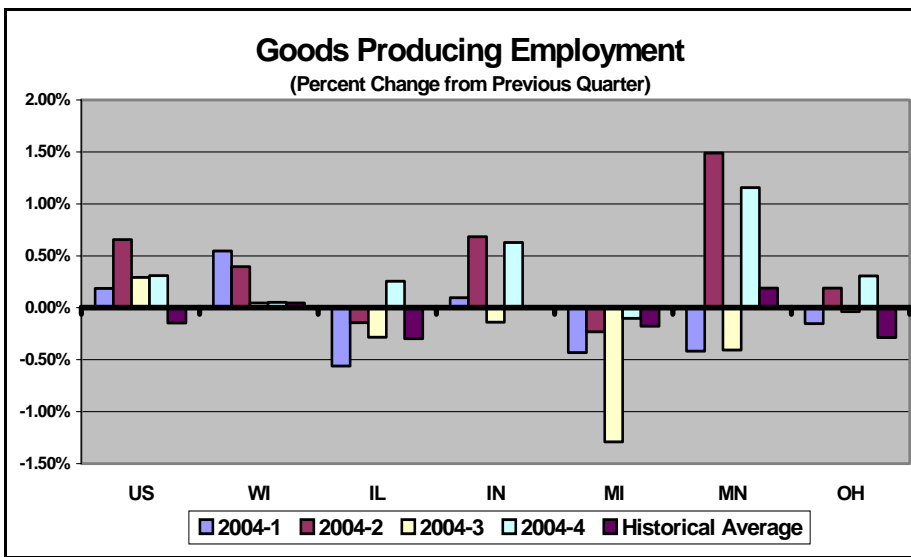
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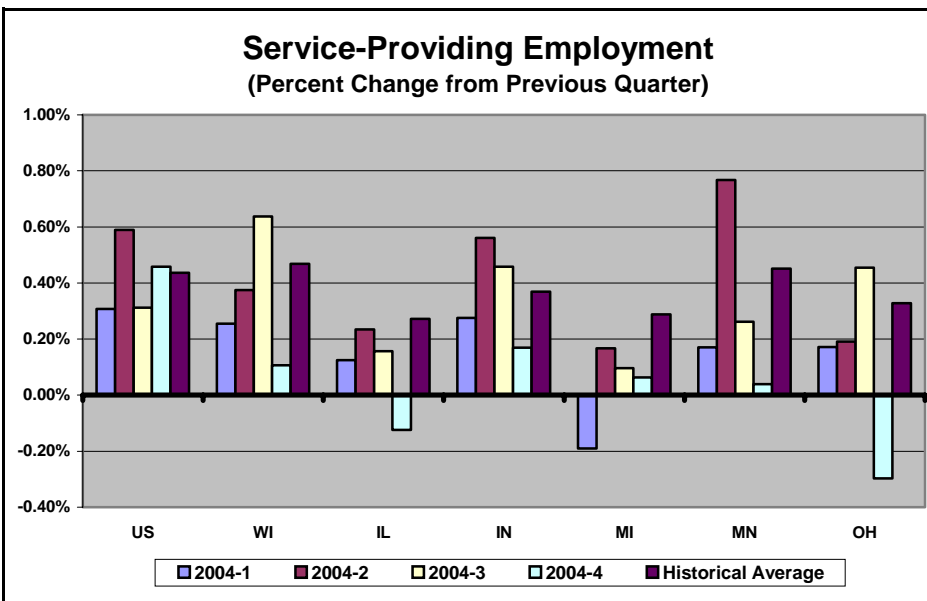
### Seasonally-Adjusted, Non-farm Employment (Thousands)

| Quarter                | WI      | US        |
|------------------------|---------|-----------|
| 2004.1                 | 2,788.4 | 130,541.3 |
| 2004.2                 | 2,799.0 | 131,325.0 |
| 2004.3                 | 2,813.1 | 131,730.7 |
| 2004.4                 | 2,815.8 | 132,301.7 |
| Average (1990-present) | 2,612.1 | 121,457.0 |



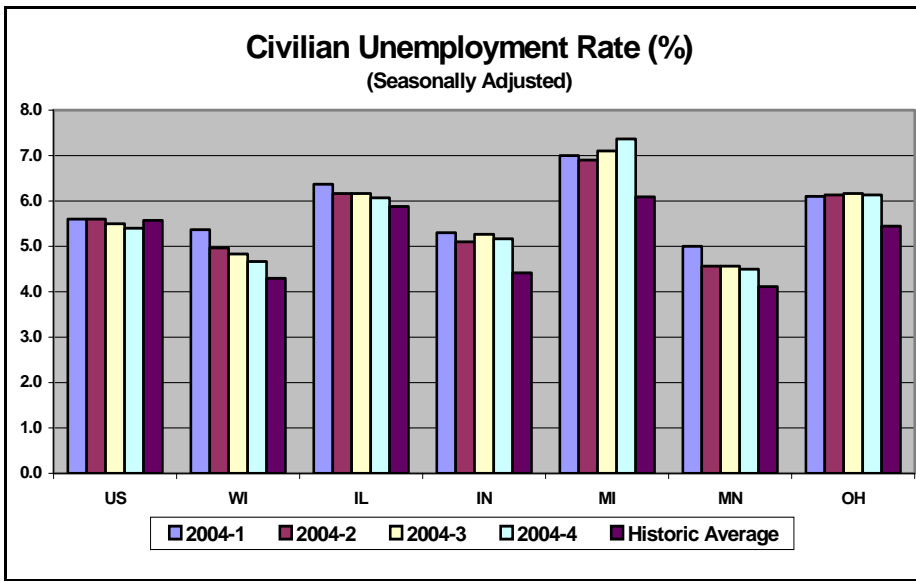
### Seasonally-Adjusted, Goods-Producing Employment (Thousands)

| Quarter                | WI    | US       |
|------------------------|-------|----------|
| 2004.1                 | 629.9 | 21,725.0 |
| 2004.2                 | 632.4 | 21,867.7 |
| 2004.3                 | 632.7 | 21,931.7 |
| 2004.4                 | 633.0 | 22,000.0 |
| Average (1990-present) | 661.4 | 23,163.8 |



### Seasonally-Adjusted, Service-Providing Employment (Thousands)

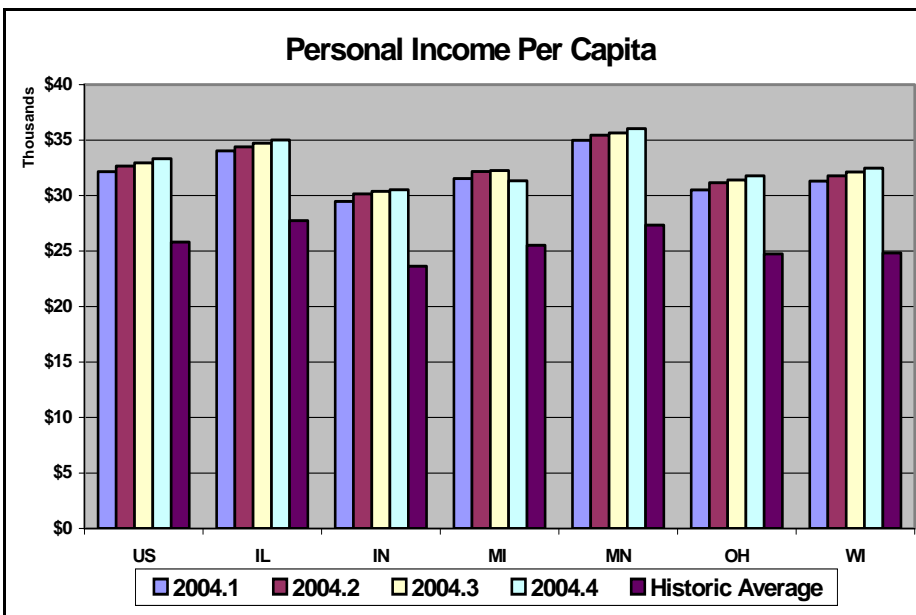
| Quarter                | WI      | US        |
|------------------------|---------|-----------|
| 2004.1                 | 2,158.5 | 108,816.3 |
| 2004.2                 | 2,166.6 | 109,457.3 |
| 2004.3                 | 2,180.4 | 109,799.0 |
| 2004.4                 | 2,182.8 | 110,301.7 |
| Average (1990-present) | 1,950.7 | 98,293.2  |



### Unemployment Rate (%)

Seasonally-Adjusted

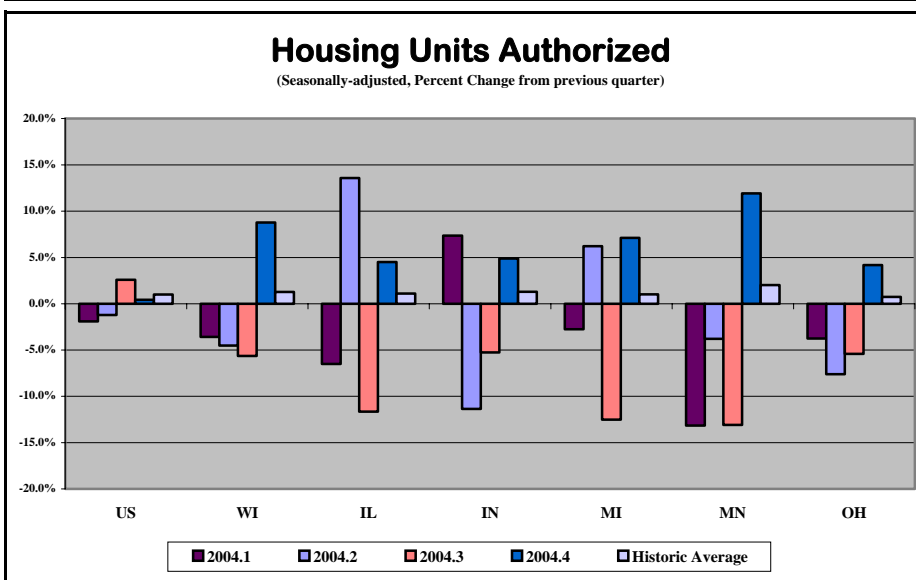
| Quarter                | WI  | US  |
|------------------------|-----|-----|
| 2004.1                 | 5.4 | 5.6 |
| 2004.2                 | 5.0 | 5.6 |
| 2004.3                 | 4.8 | 5.5 |
| 2004.4                 | 4.7 | 5.4 |
| Average (1990-present) | 4.3 | 5.6 |



### Per Capita Personal Income

Seasonally-Adjusted

| Quarter                | WI       | US       |
|------------------------|----------|----------|
| 2004.1                 | \$31,293 | \$32,156 |
| 2004.2                 | \$31,770 | \$32,660 |
| 2004.3                 | \$32,111 | \$32,932 |
| 2004.4                 | \$32,459 | \$33,318 |
| Average (1990-present) | \$24,831 | \$25,810 |



### Housing Units Authorized, Seasonally-Adjusted

(Thousands)

| Quarter                | WI  | US      |
|------------------------|-----|---------|
| 2004.1                 | 3.0 | 1,943.0 |
| 2004.2                 | 3.3 | 1,919.7 |
| 2004.3                 | 3.3 | 1,969.3 |
| 2004.4                 | 3.0 | 1,978.6 |
| Average (1995-present) | 2.9 | 1,626.1 |