

# Economically Dependent Persons Without Pension Coverage in Old Age

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*Some persons, chiefly women, reach old age in a state of economic dependence without being able to qualify for a social security benefit—because they never acquire insured status for themselves and do not belong to the group of dependents who qualify on the basis of relationship to a retired or deceased insured worker. This article analyzes data from two Social Security Administration surveys and from the Bureau of the Census to provide an estimate of the size of this group and to determine who would be covered by a broadened definition of dependence. It appears that only a small proportion of the nonmarried aged or those approaching retirement—mainly women—lack qualification for some social security benefit in their older years.*

THE SOCIAL SECURITY PROGRAM now provides a nearly universal system of retirement benefits. As the retirement system matures and becomes more inclusive, attention is turned to the smaller groups without eligibility for benefits. The problem discussed here involves one of these atypical groups. Most of the aged receive benefits either as covered workers or as the dependents or survivors of covered workers. Nevertheless, some people who are economically dependent at normal working ages, generally women, will neither earn insured status under the program nor become eligible for a dependent benefit in old age because they lack sufficient quarters of coverage or do not have specified relationships to an insured worker. The issue is just how many find themselves in this situation.

The near universality of the system is attested to by the fact that, in 1975, more than 9 out of 10 jobs in paid employment and self-employment are covered or eligible for coverage under the program, and 93 percent of those reaching age 65 are eligible for monthly cash benefits. Most workers not covered by the program are in government jobs covered by their own retirement systems. The remaining noncovered workers are mainly those who do not earn the minimum

amount—\$400 in a year from self-employment, \$50 in a calendar quarter in nonfarm wage and salary earnings, or \$50 in a quarter from one employer for farm and domestic workers.

Others are not covered because they do not command a market wage for their labors—in this society, a group consisting mostly of women involved in housework and child care. A dwindling number are involved in unpaid family work, which is not covered under the social security program.<sup>1</sup> In 1970, according to the Bureau of the Census 125,000 men and 291,000 women aged 16 and over were engaged in this type of work.<sup>2</sup> More unpaid workers were in agricultural than in nonagricultural industries. Three percent of the men and 20 percent of the women in farm occupations were unpaid family workers. In non-farm occupations, only 0.1 percent of the men and 1 percent of the women were unpaid family workers.

Although the social security program started out as a system of protection for retired workers only, it soon expanded its focus to encompass the family unit. Protection under the system extends not only to the worker but also to the worker's dependents and survivors who meet certain qualifications. Generally wives, widows, and surviving children are protected if the worker is fully and/or currently insured. Husbands, widowers, and surviving parents are protected if they can prove dependence.<sup>3</sup>

<sup>1</sup> Unpaid family work is defined by the Bureau of the Census as work without pay for 15 hours or more a week at a family farm or business.

<sup>2</sup> Bureau of the Census, *1970 Census Subject Report—Occupational Characteristics*, June 1973, tables 43, 50.

<sup>3</sup> A recent Supreme Court decision ruled that young widowed fathers with minor children in their care—who had not been eligible for benefits under the statute—should be eligible to receive them and that they should be able to receive them in the same way as young widowed mothers—that is, without having to prove dependence—*Weisenberg vs. Weinberger*, 367 F. Supp. 981 (U.S.D.C. D N.J., Dec. 11, 1973). A similar lower court ruling was rendered for aged widowers—*Goldfarb vs. Secretary of Health, Education, and Welfare*, Civil No. 74-C-1188 (E.D.N.Y., June 17, 1975).

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In recent years, some attention has been given by program planners to expanding this list of dependents. The 1972 amendments to the Social Security Act added grandchildren under certain circumstances, and bills have been introduced that would cover siblings. Certainly the most common living situation is that of husband-wife-children, reflected in the fact that 85-90 percent of all the aged do collect retirement or survivor benefits. But individuals in other types of living situations do not all work, let alone work enough for pay to earn their own retirement benefit or qualify for a dependent or survivor benefit. Among those in this group who cannot collect benefits would be the sister or aunt who spends the better part of her adult years keeping house for an unmarried brother or nephew. She will not receive a benefit under present provisions of the Act either as a retired worker, a dependent, or a survivor.

#### DEFINITION OF ECONOMIC DEPENDENCE

Specifically, the problem studied here is that of estimating the number aged 65 and over who do not qualify for a social security benefit and who are also economically dependent on someone else. These persons have not earned their own benefit and do not qualify for a dependent benefit, although they are economically dependent and presumably have been for a number of years. Spouses are not considered for the purposes of this discussion because they are normally eligible for a dependent or survivor benefit.

Economic dependence is defined here as the situation in which a nonmarried person has an income below the official poverty line but lives in a family with an income above the official poverty line for a family of that size.<sup>4</sup> (Such persons may be financially better off living in the family than alone.)

Those who live without relatives (alone or with nonrelatives) and are poor are not considered economically dependent nor are those who are

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<sup>4</sup>For the 1968 poverty thresholds, see Bureau of the Census, *Current Population Report, Consumer Income* (Series P-60, No. 68, table 1). The cutoff was \$1,742 for one person, \$2,242 for a 2-person family, etc. Ideally, the definition would take into account the fact that a person must prove that another individual provided at least one-half support. Because of limitations in the available data, the poverty line is used to approximate dependence.

poor and are living with a poor family. The poor person living without relatives is rarely being supported by outside contributions. Data from the Social Security Administration 1968 Survey of the Demographic and Economic Characteristics of the Aged (DECA) show that 44 percent of the aged were poor and 11 percent were near poor at the time of the survey,<sup>5</sup> but only 3 percent of the aged received contributions from relatives or friends not in the household. Of the small number who did receive outside contributions, only about 20 percent of the nonmarried recipients (or less than 1 percent of the nonmarried aged) had at least half their income from this source.<sup>6</sup> Even fewer of the married aged depended on outside contributions for at least half their income. Although these data include only persons aged 65 and over, the aged are more likely to be poor than other age groups and the poor of any age would be most likely to elicit outside contributions. The estimate is thus somewhat inflated, strengthening the conclusion that very few are supported substantially by outside contributions.

#### AGED PERSONS INELIGIBLE FOR PENSIONS

The first step is to estimate the size of the population of retirement age ineligible for any pension. The data for this estimate come from the DECA survey, which drew its sample from persons aged 65 and older. In 1967, there were 302,000 nonbeneficiary nonmarried men and 1,127,000 nonbeneficiary nonmarried women in that age group.<sup>7</sup> Nonbeneficiaries include those still working and earning a substantial amount who qualify for social security benefits, those who are receiving a public retirement benefit other than a social security benefit (public employee pension or railroad retirement benefit), and those not eligible for any pension. Only the last group is considered here.

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<sup>5</sup>Lenore Bixby, et al., *Demographic and Economic Characteristics of the Aged*, Research Report No. 45, Office of Research and Statistics, Social Security Administration, page 12 and table 2.1.

<sup>6</sup>Susan Grad, *Relative Importance of Income Sources of the Aged*, Research and Statistics Note No. 11, 1973, Office of Research and Statistics, Social Security Administration, page 6.

<sup>7</sup>Nonbeneficiaries in DECA were defined as those who had never received a cash benefit and were not transitionally insured or special "age 72" beneficiaries.

It may be assumed that a person aged 65 or older who is not working and is eligible for a social security benefit is collecting that benefit and one who is working and not collecting a benefit is eligible or will be eligible for a benefit in the future. The number of nonbeneficiaries with no work and no public pension is therefore used as a reasonable estimate of the number of people ineligible for any pension.<sup>8</sup> In 1967, 136,000 nonmarried men and 728,000 nonmarried women were in this category—or 6 percent of the nonmarried men and 10 percent of the nonmarried women aged 65 and over.

Nonmarried women, as defined in DECA, included widows, divorced, separated, and never-married women. The widow of a fully insured worker who has never worked herself or worked very little automatically has protection as the survivor of an insured worker under the social security program. The social security system considers separated women as married and accords them the same rights to benefits as wives. Divorced wives and widows are protected as dependents or survivors only if they had been married at least 20 years. A woman who has never married is more likely than one who has married to have worked most of her life and earned her own benefit. In view of these differences, nonmarried women should have differing likelihoods of being eligible for a pension, depending on their marital status. In fact, marital-status differences are not statistically significant at the 95-percent level of confidence. Approximately 90 percent of nonmarried women become entitled to a benefit in old age either because of eligibility through a husband's insured status or their own earnings record. The DECA data, however, indicate how many of the nonmarried noneligible economically dependent aged women do not receive a benefit because they had lived with a relative other than a husband and had not worked enough, if at all, to earn their own benefit.

### ECONOMIC DEPENDENCE OF PRERETIREES

The next step is to determine what proportion of those ineligible for a pension are economically

<sup>8</sup> Inclusion here of the few private pensioners who do not also collect social security benefits among those with no pensions results only in a slight overcount of the total not eligible for any pension.

TABLE 1.—Comparison of RHS data (1969) with DECA (1967), by pension status, sex, and marital status

Pension status	Men, no spouse present		Women, no spouse present	
	Total number (in thousands)	Percent of total	Total number (in thousands)	Percent of total
Nonreceipt of social security benefits				
RHS Not expecting or receiving.....	729	8	1,954	8
DECA Not working and not receiving....	2,356	10	7,434	13
Receipt of other public pensions				
RHS Expecting or receiving.....	729	11	1,954	9
DECA Receiving.....	2,356	10	7,434	8

dependent. Since economic dependence cannot be measured by the DECA data, the analysis continues with data from the first wave of the Retirement History Survey (RHS)—a 10-year study by the Social Security Administration of men and women aged 58–63 without spouses. This age group is more likely than the group aged 65 and over to be living in arrangements that reflect their lifetime experience.

All respondents were asked about specified sources of income. For those still working and planning to stop work, information was asked about expected retirement benefits.

Since data on expectations can be unreliable, the DECA data on the actual experience of those aged 65 and over may serve as a check on how realistic the expectations data of preretirees appear to be (table 1).

The DECA and RHS figures are reasonably close.<sup>9</sup> Only the proportions of nonmarried women ineligible for social security benefits are significantly different at the 95-percent level of confidence. These differences are not entirely a function of the difference between expectations of receiving and actual receipt of pensions. For one thing, the RHS data are for 1969 and the DECA figures are for 1967. For another, the age ranges of the two samples are different. The RHS

<sup>9</sup> Receipt of social security benefits in DECA and receipt of or expectation of receipt in RHS relate to benefits based on the individuals' own work record or on the record of a relative on whom they were dependent. (The disabled-worker benefits are converted to retirement benefits at age 65.)

sampled a narrow age range (aged 58–63); DECA sampled a cross-section of older persons (aged 65 and over with a median age of 72). The probable effect of these two factors is that those in the RHS are more likely to have worked in covered employment, since the system has been maturing during their working lifetimes and women are working more and becoming eligible for their own benefits more frequently. Thus, individuals in the RHS, especially the women, would be more likely to expect or receive social security benefits as the data confirm. (It was unclear whether the RHS sample members, when asked about the expected receipt of retirement benefits interpreted the question to mean the expected receipt of a dependent's benefit or only their own. The closeness of the DECA and RHS data indicate that both interpretations were considered.)

With some confidence in the RHS estimate of eligibility for pensions using data on expectations, the analysis employs these data to estimate the proportion of ineligible persons who are economically dependent. Obviously, such an estimate is limited to those who reported the appropriate information, and only about 70 percent of the sample qualifies.<sup>10</sup>

#### RELATIONSHIP BETWEEN ECONOMIC DEPENDENCE AND PENSION ELIGIBILITY

One might ask if the economically dependent are not very likely to expect a pension. Although a larger proportion of economically dependent nonmarried women than those who were not economically dependent were not expecting a pension, about 90–95 percent of all nonmarried women expect a pension, as the data in the next column indicate. The pattern is similar for nonmarried men.

Economic dependence, thus, does not necessarily mean that an individual will not receive a pension. Is this because the economically dependent have enough work experience to earn their own benefit or do they qualify for dependent benefits?

The RHS shows that such dependent nonmarried women are several times more likely to

<sup>10</sup> This proportion largely reflects the incomplete reports on total income and, to a lesser extent, on pension expectations.

Pension status	Nonmarried women aged 58–63 <sup>1</sup>		
	Total	Economically dependent	Not economically dependent
Total number (in thousands).....	1,366	92	1,274
Total percent.....	100	100	100
Expecting or receiving.....	93	89	94
Not expecting.....	7	11	6

<sup>1</sup> Excludes those not reporting on expected or actual pension receipt. Nonmarried men excluded because the number who are economically dependent is too small.

have no work experience than the noneconomically dependent (25 percent, compared with 6 percent). Nevertheless, many of the economically dependent nonmarried women (75 percent) have had some work experience. At the time of the interview, 69 percent of those who were economically dependent—in contrast to only 28 percent of those who were not—were housekeepers not in the labor force. Only 14 percent of the economically dependent women were working, compared with 63 percent of the noneconomically dependent nonmarried women. As to the recency of work, 42 percent of the economically dependent women, compared with only 10 percent of those not economically dependent, had been out of the labor force at least 20 years.

Thus, most economically dependent nonmarried women had had some work experience but were not working in the immediate preretirement years. This brief profile of labor-force participation among economically dependent nonmarried women suggests that many of them will not earn their own retirement benefit. It is much more likely that these women will qualify for benefits as dependents or survivors, if at all.

#### LIVING ARRANGEMENTS OF THE ECONOMICALLY DEPENDENT

Analysis of the living situations of the nonmarried economically dependent indicates which relationships are the most prevalent of those not covered presently. To better represent the small group being examined, data from the 1970 Census are used in this analysis to provide a larger sample that is not confined to those of retirement or

preretirement ages. Economic dependence is defined in this analysis as it was for use with the figures from the two Social Security Administration surveys.

The economically dependent are, by definition, living with relatives. Which relative one lives with depends on age and sex. Young people tend to be economically dependent because they have not yet left home, and those aged 65 and over may become economically dependent after retirement. The focus here is therefore on those aged 35-64. Older economically dependent persons in 1969 were much less likely than younger ones to live with parents. Forty-five percent of the economically dependent nonmarried women aged 35-44 and only 8 percent of those aged 55-64 did so (table 2). Similarly, 75 percent of the economi-

TABLE 2.—Relationship of nonmarried economically dependent persons to head, by age and sex, 1970

Relationship to head	Age		
	35-44	45-54	55-64
	Men		
Total number.....	99,000	102,000	107,000
Total percent.....	100	100	100
Child.....	75	47	26
Parent.....	2	7	22
Sibling.....	15	34	44
Other.....	8	12	8
	Women		
Total number.....	193,000	281,000	440,000
Total percent.....	100	100	100
Child.....	45	27	8
Parent.....	21	46	61
Sibling.....	28	18	23
Other.....	8	9	9

cally dependent men aged 35-44 and only 26 percent of those aged 55-64 did so. Conversely, older economically dependent persons were more likely than younger ones to live with their children. About 20-25 percent of the women lived with siblings regardless of age. Among the men, the older they were the more likely they were to live with siblings. Approximately 10 percent of both men and women lived with relatives other than parents, children, or siblings.

Among economically dependent persons aged 55-64—near retirement age—61 percent of women and 22 percent of men were parents of the family head. At the present time they can qualify at age 62 for a social security benefit as a survivor upon the death of their fully insured child, if they do not qualify as a widow or widower. Parents of living retired- or disabled-worker beneficiaries may not qualify for benefits as dependent parents. The next largest group—23 percent of the women and 44 percent of the men—appear to be dependent on siblings. Remaining are 17 percent of the women and 34 percent of the men who presumably are supported by their parents or more distant relatives.<sup>11</sup>

As of January 1974, all persons aged 65 or older are eligible for monthly payments under the supplemental security income program if their income and resources are below a certain level. Presumably, many of the economically dependent without benefits could qualify for the supplemental security income payments when they reach age 65. Should they be included more appropriately on the retirement rolls, as dependents, as other groups are? Should dependency benefits be extended to any person who can prove dependence on a worker or beneficiary or should they be limited to those with certain blood or marriage relationships to the worker or beneficiary?

Expanding the group that qualifies for dependent benefits would affect at most 1 percent of the nonmarried persons approaching retirement age, a smaller number than previously expected. A basic assumption of the social security system that most individuals earn their own retired-worker benefit or marry and are eligible for a wife's dependent or survivor benefit was not far off, as of the late 1960's. Nevertheless, this small group of dependents has important needs that are not being met because of their atypical living situations. A change in the provision regarding parent's benefits would protect some of them, and broadening the definition of dependents to include siblings would protect others.

<sup>11</sup> Some of these economically dependent persons may be receiving a disability benefit on their own record or as an adult disabled before age 22 entitled on his (her) parent's wage record.