

Notes and Brief Reports

Men With Low OASDHI-Covered Earnings Not Counted as Poor in the CPS*

The poverty thresholds used in the Current Population Survey (CPS) of the Bureau of the Census vary with family size, composition, and residence. The income definition includes all money income, unearned as well as earned, of all family members. As a consequence, millions of men with low earnings—below the poverty level for the average nonfarm family of four (\$4,275 in 1972), for example—are members of nonpoor families. This is the case even for “prime age” men, those aged 25–59.

The summary earnings record (SER) file maintained by the Social Security Administration provides an accurate record of annual earnings in employment covered under the old-age, survivors, disability, and health insurance (OASDHI) program. According to the SER as updated through September 1973, 34 percent of all men with recorded earnings received less than \$4,275 from that source in 1972. Among men aged 25–59, the proportion was 18 percent. The Bureau of the Census counted as poor only 8 percent of all men with work experience in 1972 and only 6 percent of those aged 22–59.¹ Most of this difference reflects the influence of three factors—the sensitivity of the poverty classification to family type and the conceptual differences (a) between income and earnings and (b) between family and individual income.

THE DATA LINKAGE

The Social Security Administration has set up an “exact match” project that has added to data collected in the March 1973 CPS some informa-

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¹ Bureau of the Census, “Characteristics of the Low Income Population, 1972,” *Current Population Reports* (Series P-60, No. 91), 1973, table 14. The poverty statistics are based on responses to questions in the March CPS on income and work experience during the preceding year.

tion from the SER of the Social Security Administration and the individual master file of the Internal Revenue Service. The matching procedures followed and the scope, mechanics, and products of the data linkage have been described in a series of reports, entitled *Studies From Interagency Data Linkages*.² In this note, the 1973 exact match project is drawn upon to measure the extent to which each of the above-mentioned factors explains why men with low SER earnings are counted in the CPS as nonpoor. Then an attempt is made to account for those persons whose nonpoor status in the CPS cannot be explained in terms of the above factors.³

The 1973 exact match project associated an SER with each person aged 14 and over in the March 1973 CPS for whom a usable social security number was obtained. The population eligible for inclusion in the CPS was the civilian, noninstitutionalized population residing in the 50 States and the District of Columbia plus military personnel living off-post or with their families on-post.⁴

REASONS FOR CLASSIFICATION AS NONPOOR

Conceptual Factors

The CPS-SER file revealed that 15.9 million of the 18.4 million men with 1972 SER earnings of \$1–\$4,274 were classified as nonpoor, the corre-

² For the matching procedures, see Frederick Scheuren et al., *Exact Match Research Using the March 1973 Current Population Survey—Initial States* (Report No. 4), Office of Research and Statistics, Social Security Administration, 1975. The physical and logical structure of the tapes and the procedures followed in organizing the file can be found, respectively, in Frederick Scheuren, Denton Vaughan, and Wendy Alvey, *1973 Current Population Survey—Summary Earnings Record Exact Match File Codebook, Part I—Basic Information* (Report No. 5), 1975, and Frederick Scheuren, Beth Kilss, and Cynthia Cobleigh, *1973 Current Population Survey—Summary Earnings Record Exact Match File Codebook, Part II—Supplemental Information* (Report No. 6), 1975.

³ The difference in the proportions of persons with low SER earnings and CPS poverty status does not compromise the usefulness of Social Security Administration data in identifying poverty areas because it is essential only that the two statistics be well-correlated.

⁴ A forthcoming report, number 10 in the series, describes the procedures used to estimate the number of OASDHI-covered earners eligible for the CPS and gives their distribution by age, sex, race, and size of SER earnings.

sponding figures for those in the 25-59 age range were 5.2 million out of 6.3 million. The three conceptual factors explained 89 percent of the 15.9 million figure and 75 percent of the 5.2 million figure. Detailed findings are discussed below and summarized in the accompanying table.

Selection of family type—A set of 124 low-income thresholds has been established to define poverty status for families differing in size, the number of children under age 18, the age and sex of family head, and farm/nonfarm residence.⁵ The low-income cutoffs for all families with three or fewer members, for many four-person families, and even for some five-person farm families were less than the \$4,275 poverty threshold for the average nonfarm family of four in 1972.

Therefore, as a first step, the family type of each SER low earner was determined and his SER earnings were compared with the appropriate threshold, rather than with the flat \$4,275 amount. This step explained 15 percent of the 15.9 million figure and 22 percent of the 5.2 million figure.

Income and earnings differences—Broadening the income concept to include unearned as well as earned income accounted for an additional 13 percent of all men with low SER earnings who were classified as nonpoor by the CPS, and 14 percent of those in the 25-59 age category. Unearned income includes such items as dividends, interest, income from estates or trusts, rents, royalties, social security benefits, private pension annuities, public assistance payments, and unemployment compensation.

Family and individual income differences—By far the most important factor was the inclusion of income of all family members in the poverty determination. It explained an additional 40 percent of the difference between low SER earnings and poverty classification in the group aged 25-59, and 60 percent among all men, probably because youths and older persons often are secondary earners in a family, perhaps working only part-time or part-year.

Data Problems

The remaining differences require an explanation of why earnings recorded in the SER were

Nonpoor status of men with low SER, 1972

Item	All ages	Aged 25-59	Other
Number with earnings of \$1-4,274	15,900,000	5,200,000	10,700,000
Total percent	100.0	100.0	100.0
Explained by—			
Conceptual differences	88.9	75.3	95.5
Replacement of \$4,275 with appropriate family poverty threshold	15.1	21.6	11.9
Broader income concept to include—			
Unearned income	13.3	14.2	12.9
Income of other family members	60.5	39.5	70.7
Specific data problems	6.1	14.8	1.9
Late SER posting	1.1	2.1	6.6
CPS imputation	1.5	3.3	6.6
Major job in noncovered employment	3.5	9.4	6.6
Unspecified data problems	4.9	9.8	2.5

lower than earnings recorded in the CPS. It was found that most of the data problems could be accounted for either by late posting to the SER, by CPS imputations, or by the existence of a major job in noncovered employment. Taken together, these three reasons accounted for 6 percent of all men with low SER earnings who were classified as nonpoor by the CPS, and 15 percent of those in the 25-59 age category.

Late SER postings—The CPS-SER file was prepared after the September SER posting cycle in the year following the reference year. Earnings for the reference year continued to be posted to the SER as delinquent reports were received and, as reports rejected earlier because of an improper name and/or social security number were corrected and reinstated. Replacing 1972 earnings as of the September 1973 posting cycle with 1972 earnings as of the March 1977 cycle did make a difference in a few cases.

CPS income imputations—In instances of nonresponse to questions on income, the CPS imputes to nonrespondents the income amounts reported by respondents with similar economic and demographic characteristics. The objective of this procedure is to produce good overall estimates, but any particular imputation could be far from accurate.

Noncovered major jobs—Approximately 90 percent of paid employment is covered under the OASDHI program. The major exception is government employment. Some public employees are covered, others are not. The same is true of employment by nonprofit organizations of a religious, charitable, educational, or other nature.

⁵ Bureau of the Census, *op cit*, pages 141-144.

Persons whose major job (in terms of weeks worked) was in government can be identified from the CPS class-of-worker code. Persons whose major job was with a nonprofit organization can be identified, though not perfectly, by using CPS industry detail.⁶

It was assumed that persons identified by the CPS as employees of government or nonprofit organizations whose SER earnings were less than half of those reported to the CPS had only a secondary job in OASDHI-covered employment and were not covered on their major job. This assumption explained a substantial proportion of the differences between SER earnings and CPS earnings, particularly for men in the 25-59 age range.

⁶ Religious, charitable, educational, and other nonprofit organizations are concentrated in the following CPS industries, in which they are the dominant form of private enterprise—nonprofit membership organizations, religious organizations, hospitals, welfare services, elementary and secondary schools, and colleges and universities.

Support Systems of Widows in the Chicago Area*

In 1974, the financial, social, service, and emotional support systems of widows in the Chicago area were studied to determine how much assistance widows actually receive and give. The survey was conducted by the Loyola University of Chicago's Center for the Comparative Study of Social Roles with funds provided by the Social Security Administration under Contract No 71-3411.

The data are based on interviews with 1,169 widows from a sample using the Social Security Administration records for the current recipients of widow's benefits under the social security program, ex-beneficiaries who had left the rolls within 12 years of the study, and women whose benefits had been limited to lump-sum death payments within 3 years of the study. The universe consisted of 195,789 widows. The 1970 Census revealed that there were 379,390 women in the Chi-

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cago standard metropolitan statistical area who had been widowed, most of whom had not remarried.

FINDINGS

Three-fourths of the respondents were at least partly dependent upon social security benefits. For one-fifth of them, these benefits were the only source of income. Two-fifths had incomes below the poverty threshold, and one-tenth reported no income at all. Best off were those who had remarried, those with earnings through employment, those with several sources of income even though each source contributed little, and those who obtained the maximum family benefits because they had two dependent children (women with more than two dependent children in effect receive no additional benefit amount). The highest mean income was received by women aged 41-50, and the highest median income by those aged 31-40.

Women who were not currently eligible for social security benefits because they had no dependent children and were not old enough for aged widow's benefits, particularly if they had received only a lump-sum death payment, appeared to be the most disgruntled. These, of course, were rather recently widowed women who were still suffering some of the consequences of grief, but other reasons for their dissatisfaction were evident. Relative deprivation was an important part of their situation. They had become widowed while still in "the prime of life." Many of their friends still had living husbands at a time when their own support systems required change. These women were angry with the "government" and the Social Security Administration at a disproportionate rate because they were receiving no regular financial assistance. The widow under age 60 who had no dependent children was financially disadvantaged if she could not earn her own income or draw benefits based on disability.

Young widows without children were usually already in the labor force and were more likely to remarry than were women widowed later in life. Once a younger widow had worked out her grief, she did not present societal problems except in unusual circumstances. The mother of one small child tended to work or live on social security.