

**GAO**

A Report to the Chairman,  
Subcommittee on Primary Health and  
Aging, Committee on Health, Education,  
Labor and Pensions, U.S. Senate

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October 2011

# INCOME SECURITY

## Older Adults and the 2007-2009 Recession

U.S. Government Accountability Office

**GAO**90

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## Abbreviations

BLS	Bureau of Labor Statistics
CPI-E	Experimental Consumer Price Index for the Elderly
CPI-U	Consumer Price Index for All Urban Consumers
CPI-W	Consumer Price Index for Urban Wage Earners and Clerical Workers
CPS	Current Population Survey
DB	defined benefit
DC	defined contribution
SNAP	Supplemental Nutrition Assistance Program
SSA	Social Security Administration
SSI	Supplemental Security Income
USDA	United States Department of Agriculture

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**G A O**

Accountability \* Integrity \* Reliability

United States Government Accountability Office  
Washington, DC 20548

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October 17, 2011

The Honorable Bernard Sanders  
Chairman  
Subcommittee on Primary Health and Aging  
Committee on Health, Education, Labor and Pensions  
United States Senate

Dear Mr. Chairman:

The recession of 2007 to 2009 has been the most severe in this country since the 1930s. After adjusting for inflation, gross domestic product declined by 5.1 percent and the national unemployment rate peaked at 9.5 percent. While the recession officially ended in June 2009, our economy has experienced a weak recovery, with unemployment still above 9 percent. While the recession has affected all age groups, older adults—particularly those close to or in retirement—may face a greater burden because they may not have the same opportunities to recover from its effects. For example, older adults—generally those 55 and older—may have insufficient time to rebuild their depleted retirement savings due to sharp declines in financial markets and home equity, and they may experience increased medical costs. Also, as our previous work has shown, older workers are less likely to be unemployed than workers in younger age groups, but when older workers lose a job they are less likely to find other employment.<sup>1</sup> These challenges have intensified older adults' concerns about having sufficient savings now and adequate income throughout retirement.

Given your interest in the status of older adults and the effect of the recent recession,<sup>2</sup> we examined the following: (1) What changes have occurred in the employment status of older adults, generally those 55 and older, with the recession? (2) How have the incomes and wealth of older adults in or near retirement changed with the recession? (3) What changes have occurred in the costs of medical care, the purchasing

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<sup>1</sup> *Social Security Reform: Raising the Retirement Ages Would Have Implications for Older Workers and SSA Disability Roles*, [GAO-11-125](#) (Washington, D.C.: Nov. 18, 2010).

<sup>2</sup> The National Bureau of Economic Research Business Cycle Dating Committee identifies the period of this recession to be December 2007 through June 2009.

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power of Social Security benefits, and mortality rates for older adults in recent years?

To address our objectives, we analyzed Bureau of Labor Statistics (BLS) and Census Bureau data concerning the employment status of older adults,<sup>3</sup> Census Bureau and Federal Reserve Board data concerning the income and assets of older adults, BLS data concerning the costs of medical care, Social Security Administration and BLS data concerning the purchasing power of Social Security benefits, United States Department of Agriculture data concerning food security, and Centers for Disease Control and Prevention data concerning mortality rates for older adults.<sup>4</sup> We determined that the data were sufficiently reliable for the purposes of the report.<sup>5</sup> We also reviewed relevant federal laws and regulations. We conducted this performance audit from July to September 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

On September 21, 2011, we briefed you and your staff on the preliminary results of this study, and this report formally conveys the information

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<sup>3</sup>Data on the labor market outcomes of displaced workers and the number of older workers who earn a low wage are based on our analyses of microdata from the Current Population Survey (CPS). For our analysis of the reemployment experiences of older displaced workers, we used data from the 2008 and 2010 Displaced Worker Supplements to the CPS; the analysis was not restricted to workers who had held the job from which they were displaced for a minimum period of time. For our analysis of low-wage earning older workers, we used data from the outgoing rotation groups of the CPS (the basic monthly CPS) for the years 2007 and 2010. We defined “low wage” as those with an hourly wage rate in the bottom quintile (bottom 20 percent) of wages across the workforce for workers who reported positive earnings. We estimated the hourly wage rate using usual weekly earnings divided by usual hours worked per week.

<sup>4</sup>We examined mortality rates rather than life expectancy because current estimates of life expectancy are based on projections using older data, prior to the recession. Since mortality rates directly affect life expectancy, and more updated data are available, we report data on mortality rates.

<sup>5</sup>The estimates based on sample data are subject to sampling and non-sampling errors. Confidence in the precision of sample estimates is expressed as a 95 percent confidence interval. Confidence intervals are provided for all figures based on estimates that we produced.

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provided during this briefing (see app. I for the briefing slides) which is summarized below:

- Since 2007, unemployment rates doubled and remained higher than before the recession for workers aged 55 and older. While these rates were not as high as for other age groups, of more concern is that once older workers lose their jobs they are less likely to find other employment. In fact, the median duration of unemployment for older workers rose sharply from 2007 to 2010, more than tripling for workers 65 and older and increasing to 31 weeks from 11 weeks for workers aged 55 to 64. In addition, the proportion of older part-time workers who indicated they would prefer full-time work nearly doubled during this time. Unemployment rates increased for all groups during the recession and remained lowest for whites.
- Household income fell by 6 percent for adults aged 55 to 64, but increased by 5 percent for adults 65 and older. Median household net worth fell during the recession for older adults. Poverty rates increased for adults aged 55 to 64, but declined for those 65 and older, while low incomes were more prevalent in older age groups than in younger ones. In addition, poverty rates were higher than the rates based on official levels when medical costs were factored in. The percentage of adults who began drawing Social Security benefits at age 62 rose during the recession, as did awards of Social Security Disability Benefits and applications for Supplemental Security Income benefits. Food insecurity also rose among older adults during the recession.
- Medical costs continued to rise faster than other costs, and older adults continued to spend more on medical care than those in younger age groups. The purchasing power of Social Security benefits was maintained with cost-of-living adjustments and, for those receiving benefits in 2009, was increased with a one-time \$250 Recovery Act payment in 2009. Mortality rates for older adults continued a long-term decline during 2007 through 2009.

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We provided a draft of this report to the Departments of Labor, Commerce, and Health and Human Services (HHS), as well as to the Social Security Administration, all of which provided technical comments that we incorporated as appropriate.

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As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until one day from the report date. At that time, we will send copies to relevant congressional committees; the secretaries of Labor, Commerce, and Health and Human Services; the Social Security Commissioner; and other interested parties. In addition, this report will be available at no charge on GAO's website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-7215 or [jeszeck@gao.gov](mailto:jeszeck@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix II.

Sincerely yours,

A handwritten signature in black ink, reading "Charles A. Jeszeck". The signature is written in a cursive style with a large, prominent initial "C".

Charles A. Jeszeck  
Director, Education, Workforce and  
Income Security Issues

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# Appendix I: Briefing Slides

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## **Income Security: Older Adults and the 2007-2009 Recession**

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**A Briefing to the Chairman, Subcommittee on Primary Health and  
Aging of the Committee on Health, Education, Labor and Pensions,  
U.S. Senate**

**September 21, 2011**

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Page 1



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## Research Objectives

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- 1) What changes have occurred in the employment status of older adults, generally those 55 and older, with the recent recession?
- 2) How have the incomes and wealth of older adults in or near retirement changed with the recent recession?
- 3) What changes have occurred in the costs of medical care, the purchasing power of Social Security benefits, and mortality rates for older adults in recent years?





## Scope and Methodology

To address our objectives, we analyzed:

- Bureau of Labor Statistics and Census Bureau data on the employment status of older adults, income of older adults, and the costs of medical care,
- Federal Reserve Board data on the family assets of older adults,
- Social Security Administration (SSA) and Bureau of Labor Statistics data concerning the purchasing power of Social Security benefits,
- United States Department of Agriculture data concerning food security, and
- Centers for Disease Control and Prevention data on mortality rates for older adults.

Generally, we identified older adults as those 55 and older, but in some cases data sources provided data using different age groups.

We determined that the data were sufficiently reliable for the purposes used in this report.<sup>1</sup> We conducted our review between July and September 2011 in accordance with generally accepted government auditing standards.

<sup>1</sup>The estimates based on sample data are subject to sampling and non-sampling errors.



## Summary of Findings

- Since 2007, unemployment rates rose and remained higher than before the recession for workers aged 55 and older.
  - While these rates were not as high as for workers in younger age groups, the median duration of unemployment is higher for older workers, indicating that older workers have a harder time finding other employment after losing a job.
  - The proportion of older workers employed part-time who would prefer full-time work rose sharply.
  - Unemployment rates increased for all groups during the recession and remained lowest for whites.
- Since 2007, many older adults have seen decreases in their income and net worth.
  - Median household income fell by 6 percent for adults 55-64, but increased by 5 percent for adults 65 and older.
  - Household net worth fell for all older adults during the recession, while poverty rates increased for those aged 55-64.
- Medical costs continued to rise faster than other costs.
- The purchasing power of Social Security benefits was maintained with cost-of-living adjustments and, for those receiving benefits in 2009, increased with a one-time \$250 Recovery Act payment in 2009.
- During the recession, mortality rates for older adults continued a long-term decline.



## Background

- The recent recession began in December 2007 and ended in June 2009.<sup>1</sup>
- The average proportion of income received from SSA by recipient households with a member age 65 or older was 65 percent in 2008.
- Most households with Social Security benefits receive most of their income from SSA.
- In aggregate, Social Security benefits provide 36 percent of the income for all households with someone 65 or older.

<sup>1</sup>The period of the recession is identified by the National Bureau of Economic Research Business Cycle Dating Committee.



## Background (cont.)

- Pensions and assets are also key sources of retirement income, together providing 31 percent of aggregate income for households with a member aged 65 and older.
- However, many older adults lack any pension; 44 percent of full-time workers in their 50s have neither a defined benefit (DB), nor defined contribution (DC) pension from their current employer.
- Although many current retirees have DB pensions, including 12 million retirees with private sector DB pensions, DB prevalence has declined; the number of active DB plan participants in the private sector fell from about 26 million to about 19 million from 1990 to 2008.
- DC plans are more common among today's workers. Among workers retiring 2000-2006 with a DC plan, only about 6 percent chose an annuity to ensure income throughout retirement.



## Background (cont.)

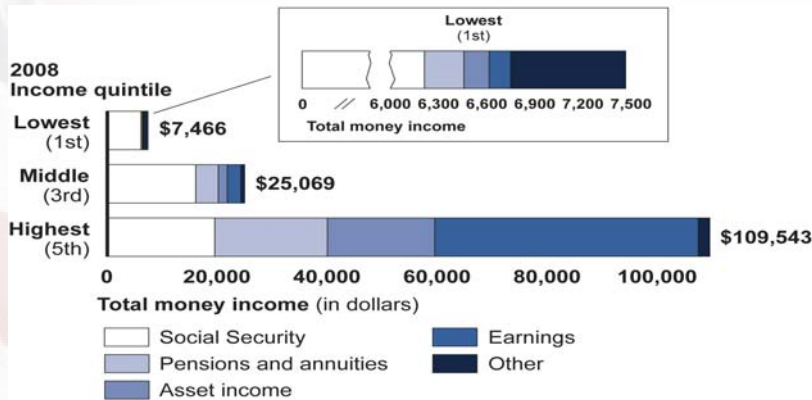
- For households approaching or entering retirement (age 55 to 64), the median level of financial assets in 2007 (before the recession began) was about \$72,000. Using a 4 percent withdrawal rate in retirement, this would replace about 5 percent of these families' \$55,000 median annual household income.
- For households with a member 65 and older, average annual income varied widely, from \$7,466 for those in the lowest of five income groups, to \$109,543 for the highest of five income groups. Those in the lowest and middle groups received most of their income from Social Security retirement benefits. Those in the highest group on average received most of their income from earnings, asset income, and pensions (see fig. 1).

Background



## Figure 1: For Households with Someone 65 and Older, Average Income Varied in 2008

Average income by source for households in the lowest, middle, and highest of five income groups, 2008



- Social Security retirement benefits provided most income for those in the lowest and middle income groups, comprising 83 percent and 64 percent of total income, respectively.
- Earnings provided most income for those in the highest income group, comprising nearly half of total income.

Source: GAO and SSA analysis of 2008 income data from the March 2009 U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement.

Note: Households are defined here as either a married couple living together where one member is 65 or older, or a single person age 65 or older. Income from other people (such as adult children living at home) is not included in household income. "Other" includes noncash benefits, veteran's benefits, unemployment compensation, workers' compensation, and personal contributions.



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## Finding 1: Employment Status of Older Adults

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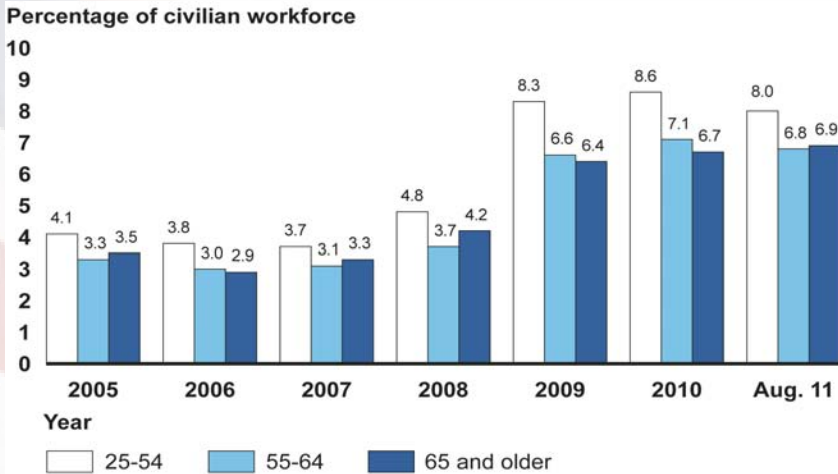
- Unemployment for older workers (those 55 and older) increased considerably during the recession and remained above prerecession levels (see fig. 2).
- During the recession, older workers who had lost their jobs in the past 3 years had more difficulty returning to work (see fig. 3) and the median duration of unemployment rose (see fig. 4). After losing a job, older workers have a hard time finding employment.



Finding 1: Employment Status of Older Adults

## Figure 2: Unemployment Rates for Older Workers Doubled in the Recession and Have Remained High

Unemployment rate by age group



- As of August 2011, each age group had a higher unemployment rate than in 2007.
- Older workers' unemployment rates have at least doubled since 2007.
- For workers near retirement, extended joblessness leaves less time to accumulate additional retirement savings.

Source: Bureau of Labor Statistics.

Note: Unemployment rates are calculated as the number of unemployed workers as a percent of the number in the workforce in each age group. The workforce consists of individuals who are employed and those unemployed who are seeking work. These rates do not reflect seasonal adjustments. Estimates based on annual averages have 95 percent confidence intervals that are within +/- 12 percent of the estimate itself. Estimates based on a single month have 95 percent confidence intervals that are within +/- 15 percent of the estimate itself. All statements made in the text were found to be statistically significant.

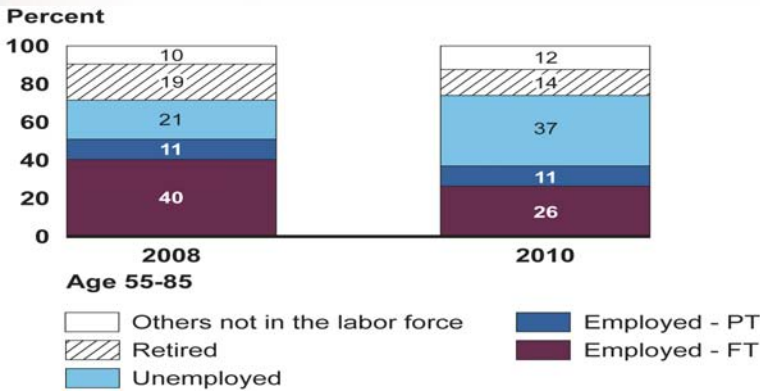


Finding 1: Employment Status of Older Adults



## Figure 3: After the Recession, Workers Who Lost Their Jobs Had More Difficulty Getting Reemployed

Labor force status of workers who lost their jobs in the past 3 years, by age group  
January 2008 and January 2010



- In January 2010, an estimated 37 percent of workers aged 55-85 who had lost their jobs in the past 3 years were unemployed, compared to 21 percent in 2008.
- In January 2010, an estimated 37 percent of workers aged 55-85 who had lost their jobs in the past 3 years were employed, compared to 51 percent in January 2008.

Source: GAO analysis of Displaced Worker Supplement to the Census Bureau, Current Population Survey.

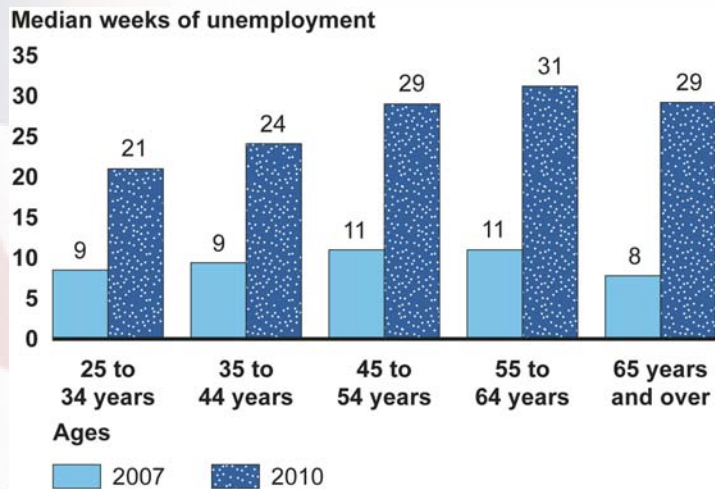
Note: These figures show the labor force status in January 2010 for workers who lost their jobs between January 2007 and December 2009 and in January 2008 for workers who lost their jobs between January 2005 and December 2007. Displaced workers are defined as those who lost or left jobs because their plant or company closed or moved, there was insufficient work for them to do, or their position or shift was eliminated. The sum of percentages shown may not equal 100 due to rounding. Estimates have 95 percent confidence intervals that are within +/- 34 percent of the estimate itself. All statements made in the text were found to be statistically significant.

Finding 1: Employment Status of Older Adults



## Figure 4: The Median Duration of Unemployment Rose, Particularly for Older Workers

Duration of unemployment by age group, 2007 and 2010



- For workers 65 and older the median duration of unemployment more than tripled, increasing from 8 weeks to 29 weeks.
- For workers 55-64 the median duration nearly tripled, from 11 weeks to 31 weeks.
- According to the Congressional Research Service, 17.8 percent of jobless workers 55 and older had been out of work for at least 99 weeks in June 2011, compared to 8.1 percent of workers under age 35.

Source: Bureau of Labor Statistics.

Note: See Congressional Research Service, "The Trend in Long-Term Unemployment and Characteristics of Workers Unemployed for More than 99 Weeks," (Washington, D.C.: 2010). Estimates have 95 percent confidence intervals that are within +/- 23 percent of the estimate itself. All statements made in the text were found to be statistically significant.



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## Finding 1: Employment Status of Older Adults (cont.)

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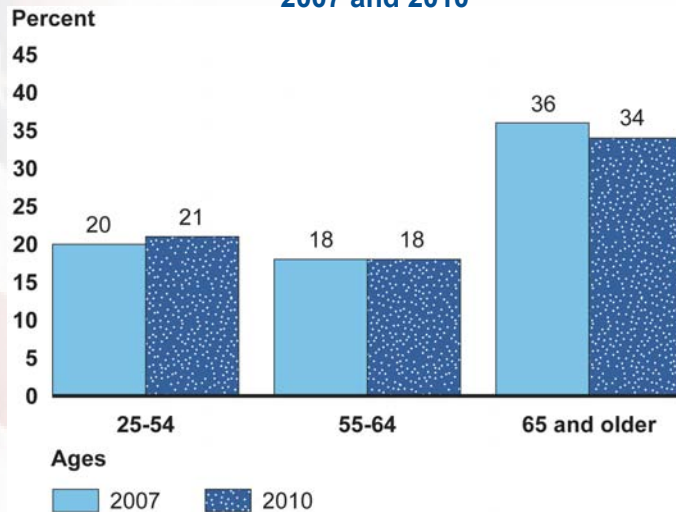
- Compared to younger workers, more older workers are in low-wage jobs (see fig. 5).
- An increasing proportion of older adults who work part-time would rather work full-time (see fig. 6).
- Unemployment rates increased for all groups during the recession and remained lowest for whites (see fig. 7).
- The proportion of older workers in the labor force has increased since 1990, and continued to do so through the recession (see fig. 8).

Finding 1: Employment Status of Older Adults



## Figure 5: Workers over Age 65 Are More Likely to Be in Low-Wage Jobs

Percentage of workers in low-wage jobs by age group, 2007 and 2010



- About one-third of workers 65 and older are in low-wage jobs—those that paid less than \$10.20 per hour in 2007 or \$11.00 per hour in 2010.

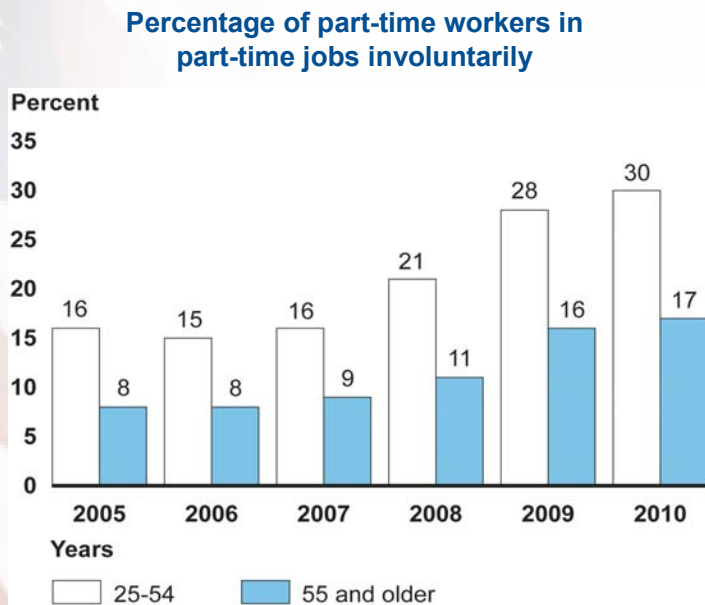
Source: GAO analysis of Current Population Survey data.

Note: Low-wage jobs are identified as those held by workers with hourly wages below the 20th percentile of wages. There was no significant change between 2007 and 2010 in the percentage of workers in low-wage jobs in any age group. Estimates have 95 percent confidence intervals that are within +/- 5 percent of the estimate itself. All statements made in the text were found to be statistically significant.

Finding 1: Employment Status of Older Adults



## Figure 6: An Increasing Proportion of Older Part-Time Workers Are Part-Time Involuntarily



Source: GAO analysis of Bureau of Labor Statistics data.

Note: Part-time workers are defined as persons who worked 1 to 34 hours in the week prior to the survey. Estimates have 95 percent confidence intervals that are within +/- 7 percent of the estimate itself. All statements made in the text were found to be statistically significant. Part-time workers are defined as persons who worked 1 to 34 hours during survey reference week.

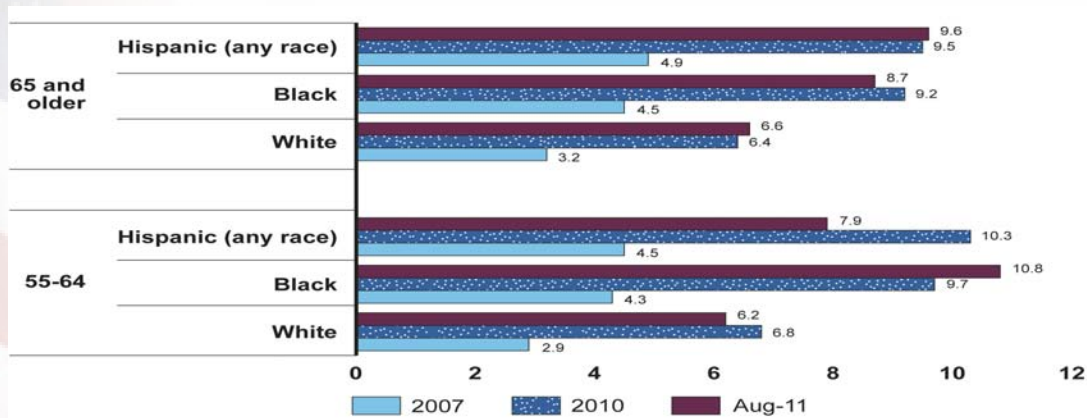
- The proportion of part-time workers aged 55 and older who indicated they would prefer to work full-time but didn't for economic reasons, such as slack work, business conditions, or because they could only find part-time work, nearly doubled from 9 percent to 17 percent from 2007 to 2010.

Finding 1: Employment Status of Older Adults



## Figure 7: Unemployment Rates Increased for All Groups during the Recession and Remained Lowest for Whites

Unemployment rate for older adults by race and ethnicity, 2007-2011



Source: Bureau of Labor Statistics.

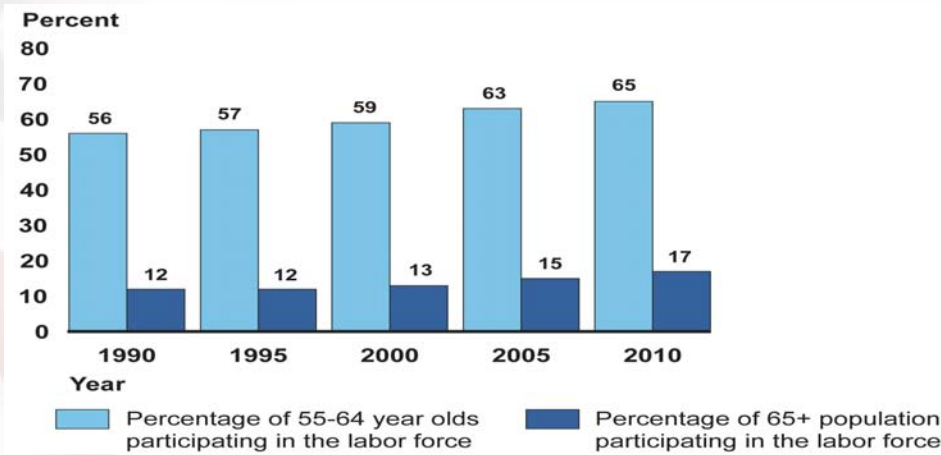
Note: Race designations white or black indicate that the respondent said he or she was white or black, rather than having a mixed racial identity. Black refers to black or African American. White and black workers include Hispanics and non-Hispanics. Hispanic refers to Hispanic or Latino and may be of any race. In 2010, there were no significant differences in the unemployment rates for whites and Asians in any of the age groups. Estimates based on annual averages have 95 percent confidence intervals that are within +/- 41 percent of the estimate itself. Estimates based on a single month have 95 percent confidence intervals that are within +/- 53 percent of the estimate itself. All statements made in the text were found to be statistically significant.

Finding 1: Employment Status of Older Adults



## Figure 8: Labor Force Participation by Older Adults Continued to Increase during the Recession

Labor force participation by age group, 1990-2010



- The proportion of adults 55-64 working or seeking work increased from 56 percent to 65 percent between 1990 and 2010.
- The proportion of adults 65 and older working or seeking work increased from 12 percent to 17 percent over the same period.

Source: GAO analysis of the Census Bureau Current Population Survey data.

Note: Estimates have 95 percent confidence intervals that are within +/- 14 percent of the estimate itself. All statements made in the text were found to be statistically significant.



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## Finding 2: Income and Wealth of Older Adults

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- Median household income fell by 6 percent for adults 55-64, but increased by 5 percent for adults 65 and older (see fig. 9).
- Median net worth (assets less debt) appears to have fallen during the recession for all age groups (see fig. 10).

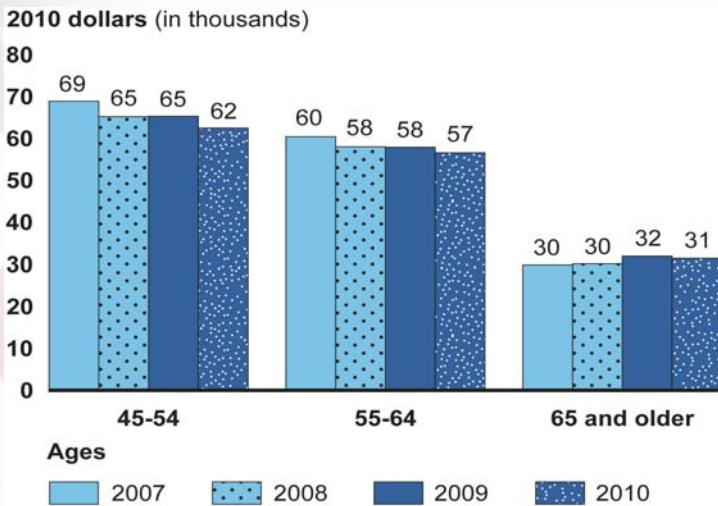




Finding 2: Income and Wealth of Older Adults

## Figure 9: Income for Adults Age 55-64 Has Declined Since 2007 and Increased for Adults 65 and Older

Median household money income by age of householder, 2007 through 2010



- After adjusting for inflation, the median incomes of households 45-54 and 55-64 dropped by 9 percent and 6 percent, respectively, during the recession.
- After adjusting for inflation, median household income for households headed by adults 65 and older increased by 5 percent.
- The income of those over 65 may be protected to some extent by Social Security.

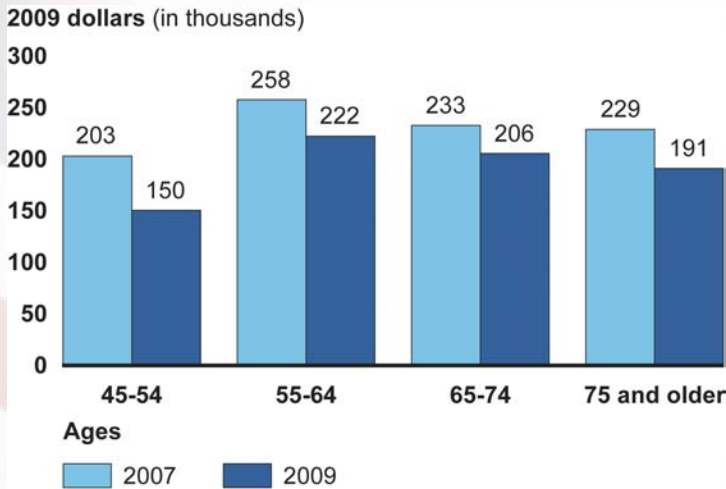
Source: GAO analysis of data from U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement.  
 Note: Estimates have 95 percent confidence intervals that are within +/- 2 percent of the estimate itself. All statements made in the text were found to be statistically significant.

Finding 2: Income and Wealth of Older Adults



## Figure 10: According to the Federal Reserve Board, Older Adults' Net Worth Declined from 2007 to 2009

Median household net worth by age group, 2007 and 2009



- According to analysis by the Federal Reserve Board, net worth (all assets less debt) declined in all age groups.
- Older adults have less time to recover from losses of wealth.

Source: Jesse Bricker, et al., Federal Reserve Board, "Surveying the Aftermath of the Storm: Changes in Family Finances from 2007 to 2009," *Finance and Economics Discussion Series* (Washington, D.C.: March 2011).

Note: These are based on results from the 2007 and 2009 Survey of Consumer Finance. Net worth is the total of assets less debt. The 2009 survey was conducted between July 2009 and January 2010. GAO was unable to test whether the changes in median net worth were statistically significant, because the Federal Reserve Board report does not provide information about the variance of the reported estimates, and microdata to calculate these estimates were not available.

Finding 2: Income and Wealth of Older Adults



## The Recession Leaves Older Adults with Difficult Choices Regarding Retirement Savings

- Older adults may have to reconsider when to retire or how much income they can expect in retirement given that:
  - on average, stocks have not fully recovered from their low point in the recession;
  - housing prices have generally not recovered; and
  - since the recession began, cash and short-term savings interest rates have typically been low, so savings provide little, if any, interest income after adjusting for inflation.<sup>1</sup>

<sup>1</sup>In 2009, however, real interest rates were positive as consumer prices fell.



## Finding 2: Income and Wealth of Older Adults (cont.)

- Poverty rates increased for adults aged 55-64 during the recession, while rates declined for adults 65 and older (see fig. 11).
- When medical costs are factored in, poverty rates for older adults are higher than rates based on official poverty levels (see fig. 12).<sup>1</sup>
- Among older adults, poverty rates continued to be higher for women, particularly those in the oldest age category (see fig. 13), and lower for whites (see fig. 14).
- Low incomes were more prevalent in older age groups (see fig. 15).

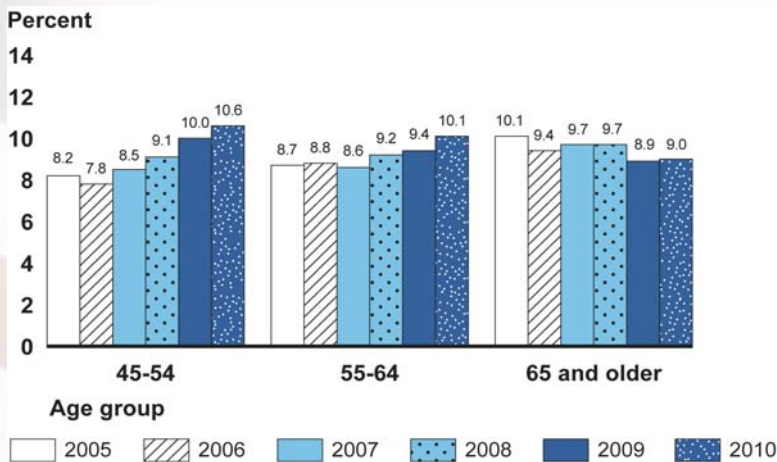
<sup>1</sup>“Official poverty level” refers to levels determined by the Census Bureau.

Finding 2: Income and Wealth of Older Adults



## Figure 11: Poverty Rates Increased for Adults Aged 55-64, but Declined for Those 65 and Over

Percentage of adults with income below 100 percent of the federal poverty level by age group, 2005-2010<sup>1</sup>



- Poverty rates increased from 8.7 to 10.1 percent for adults aged 55-64, but declined from 10.1 percent to 9.0 percent for those 65 and older.
- Social Security benefits play a role in keeping older adults out of poverty, especially those age 65 and above.

Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements.

<sup>1</sup>The Census Bureau poverty level in 2009 for those 65 or older was annual income of \$10,289 for a single person, and \$12,968 for a two-person household. For those under 65 the levels were 8 percent higher for a single person and 11 percent higher for two-person households.

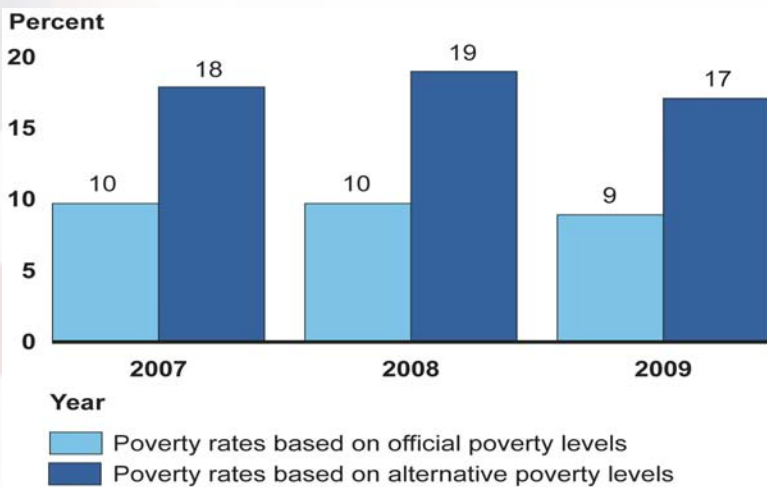
Note: Estimates have 95 percent confidence intervals that are within +/- 7percent of the estimate itself. All statements made in the text were found to be statistically significant.

Finding 2: Income and Wealth of Older Adults



### Figure 12: When Medical Costs Are Factored in, Poverty Rates for Older Adults Are Higher Than Rates Based on Official Poverty Levels

Poverty rates for population aged 65 and older, 2007-2009



- Because out-of-pocket medical costs can affect people’s ability to afford basic necessities, such as food, clothing, shelter, and utilities, alternative approaches to measuring poverty have been developed that adjust the poverty level to account for these costs.

Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements.

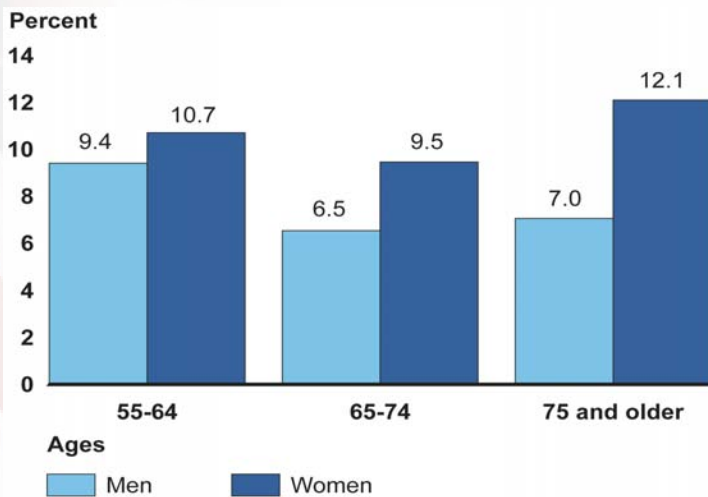
Note: This is an example of one of the alternative poverty measures that adjust for medical costs developed by the National Academy of Sciences. Estimates for the unadjusted poverty rates have 95 percent confidence intervals that are within +/- 7 percent of the estimate itself. GAO did not calculate confidence intervals around the medical cost-adjusted poverty rates. All statements made in the text were found to be statistically significant.

Finding 2: Income and Wealth of Older Adults



## Figure 13: Women Are More Likely to Live in Poverty than Men, Particularly at Older Ages

Percentage of older adults in poverty by gender and age group, 2010



- About 12 percent of women age 75 and older had incomes below the poverty level in 2010, compared to 7 percent of men.
- Women generally have less retirement income than men because women may spend less time in the labor force and have lower earnings, on average.

Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements, and GAO, *Retirement Security: Women Face Challenges in Ensuring Financial Security in Retirement*, GAO-08-105 (Washington, D.C.: Oct. 11, 2007).

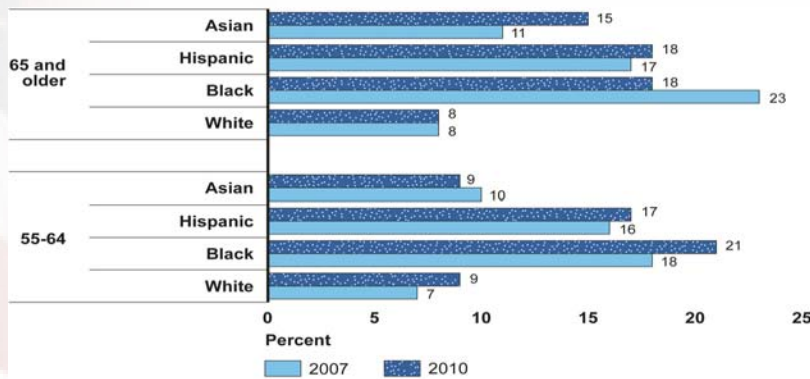
Note: Estimates have 95 percent confidence intervals that are within +/- 12 percent of the estimate itself. All statements made in the text were found to be statistically significant.

Finding 2: Income and Wealth of Older Adults



## Figure 14: Among Older Adults, Poverty Rates Were Lowest for Whites

Poverty Rates in Percentages for Older Adults by Race and Ethnicity, 2007 and 2010



- During the recession, the poverty rate for whites age 65 and older remained lower than the poverty rates for all other groups in this age range.
- The poverty rate for whites age 55-64 remained lower than the poverty rates for Hispanics and blacks in this age range.<sup>1</sup>

Source: GAO analysis of Current Population Survey, Annual Social and Economic Supplements data.

<sup>1</sup>The difference between whites and Asians ages 55 to 64 was significant in 2007 but not in 2010.

Note: Race designations white or black indicate that the respondent said he or she was white or black, rather than having a mixed racial identity. Black refers to black or African American. White and black adults include Hispanics and non-Hispanics. Hispanic refers to Hispanic or Latino and may be of any race. Estimates have 95 percent confidence intervals that are within +/- 12 percent of the estimate itself. All statements made in the text were found to be statistically significant.

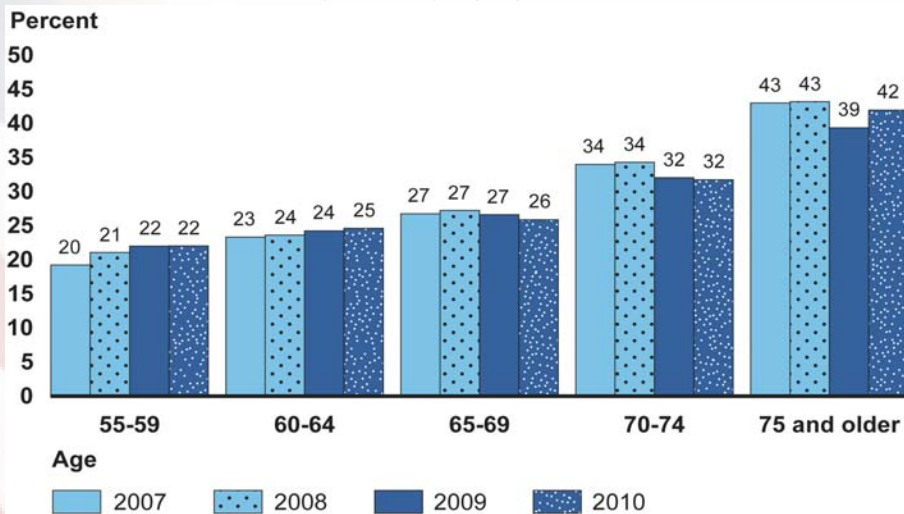


Finding 2: Income and Wealth of Older Adults



## Figure 15: Low Incomes Were More Prevalent in Older Age Groups

Percentage of adults with incomes below 200 percent of the poverty level by age group, 2007-2010



- A substantial proportion of older adults have low incomes (below 200 percent of the federal poverty level). This is particularly so for those in the oldest age group.
- Social Security benefits keep many adults 65 and older out of poverty, but a sizable group has income below 200 percent of the poverty level.

Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements.

Note: Age is defined as of March of the calendar year for which income was reported. Estimates have 95 percent confidence intervals that are within +/- 3 percent of the estimate itself. All statements made in the text were found to be statistically significant. Age is defined as of March of the calendar year for which income was reported.



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## Finding 2: Income and Wealth of Older Adults (cont.)

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The recession brought financial hardships to many older adults:

- An estimated 25 percent of adults aged 50 and older indicated that they exhausted their savings and 12 percent said they lost health insurance (see table 1).
- To make ends meet, many older adults reported delaying medical care or cutting back or stopping saving (see table 2).
- Greater proportions of older adults took Social Security retired worker benefits at age 62 (see fig. 16).
- Awards of disability benefits to older adults rose (see fig. 17) and more older adults applied for Supplementary Security Income benefits (see fig. 18).

Finding 2: Income and Wealth of Older Adults



## Table 1: Many Older Adults Experienced Financial Hardships during the Recession

- Percentage of AARP survey respondents aged 50 and older indicating they or their family had experienced certain kinds of hardship in the 2007-2010 period:

	Percent
Exhausted or used up all of my savings	24.7
Lost my health insurance	12.4
Filed for bankruptcy	3.6
Forced to sell my house	1.4
Lost my house to foreclosure	1.4

Source: AARP Public Policy Institute, "Recovering from the Great Recession: Long Struggle Ahead for Older Americans," (Washington, D.C.: Oct. 2010). This study surveyed adults aged 50 and over who had been in the labor force at some point during the previous 3 years.

Note: This question was asked of those age 50 or older (n=5027): Which if any of the following financial hardships have you/your family experienced in the past 3 years? This is based on a random sample of U.S. residents aged 50 and older from a panel representative of the U.S. population.

Finding 2: Income and Wealth of Older Adults



## Table 2: Many of Those Having Difficulty Making Ends Meet Had to Make Hard Choices to Get By

Among those aged 50 and older who reported having difficulty making ends meet in any period during the 2007-2010 period:

- Many of these choices could have long-term consequences for retirement income security.

	Percent
Delayed getting medical or dental care or delayed or ceased taking medicine	49.5
Stopped or cut back on saving for retirement	36.4
Stopped or cut back on other (nonretirement) savings	29.4
Dropped health insurance coverage	12.0
Took loan from 401(k) or other retirement account	9.1

Source: AARP Policy Institute Survey, October 2010 survey.

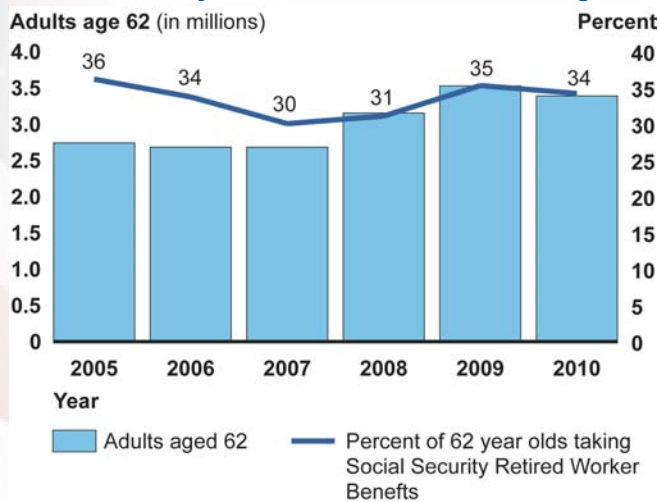
Note: This is based on a random sample of U.S. residents 50 and older from a panel representative of the U.S. population.

Finding 2: Income and Wealth of Older Adults



## Figure 16: Percent of Adults Aged 62 Who Began Drawing Social Security Benefits Rose during the Recession

Estimated percentage of 62-year-olds who began drawing Social Security retired worker benefits at age 62



- Workers who began drawing benefits upon reaching age 62 during this period will permanently receive 25 percent less in monthly benefits than they would if they waited until the full retirement age to begin receiving benefits.

Source: GAO analysis of SSA administrative data on awards of retired worker benefits and Census Bureau estimates of resident population by age.

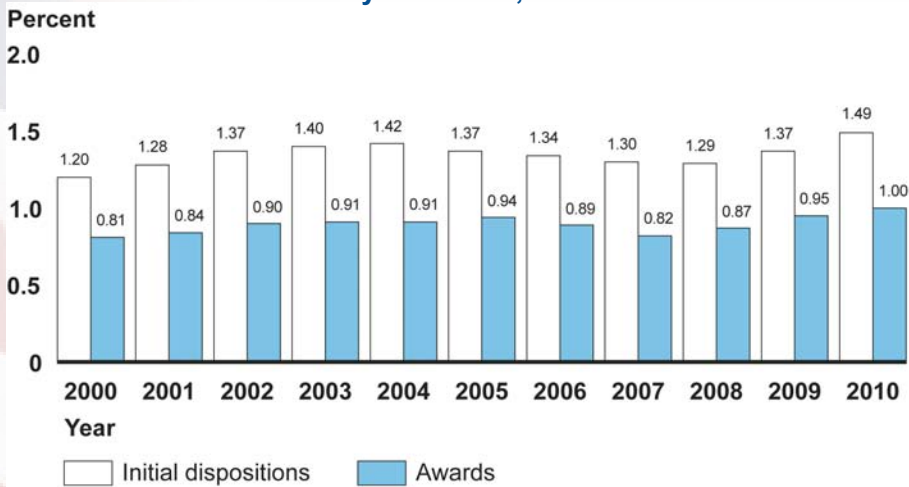
Note: For adults reaching age 62 in these years, benefits will be reduced for early retirement, unless they start benefits at 66 or later.

Finding 2: Income and Wealth of Older Adults



## Figure 17: Awards of SSA Disability Benefits to Adults 50 and Older Rose after the Recession

Percentage of the population 50 and older, but less than full retirement age, with initial dispositions and awards of Social Security disability insurance, 2000-2010



The numbers of initial dispositions on disability claims and final awards as a percentage of the estimated population:

- increased gradually early in the decade,
- declined modestly,
- then rose after the recession began.

Source: Social Security Administration.

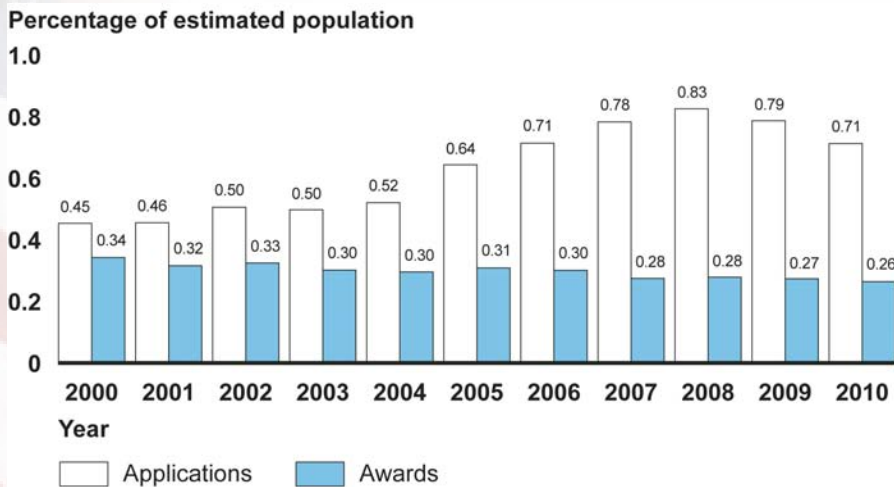
Note: The average annual processing time from filing claims for disability benefits to initial dispositions (approvals or denials) ranged from 105 days to 122 days.

Finding 2: Income and Wealth of Older Adults



## Figure 18: Applications for Supplemental Security Income (SSI) Benefits Reached a High Point in 2008

Percentage of resident population 65 and older who applied for and who were awarded SSI benefits 2000-2010



- Applications for SSI by adults 65 and older increased before the recession.
- Applications increased from 2007 to 2008, then fell modestly from 2008 to 2010.
- Awards declined over the decade.

Source: GAO analysis of Social Security Administration administrative data and Census Bureau estimates.

Finding 2: Income and Wealth of Older Adults



## Food Insecurity Rose among Older Adults

- While food insecurity in the general population did not start rising until 2008, the U.S. Department of Agriculture (USDA) noted that food insecurity began rising among older adults in 2007.<sup>1</sup>
  - The proportion of all households with a member 65 or older classified by USDA as being food insecure rose from 6.0 percent in 2006 to 7.9 percent in 2010.
  - Among elderly households with incomes below 130 percent of poverty, the proportion classified as food insecure rose from 17.6 percent in 2006 to 24.0 percent in 2010.

<sup>1</sup>USDA identifies families with food insecurity based on responses to questions in a supplement to the Current Population Survey concerning the inability, at times, to afford balanced meals, cutting the size of meals because of too little money for food, or being hungry because of too little money for food. Households are classified as having low or very low food security if they experienced the condition at any time during the previous 12 months.



Finding 2: Income and Wealth of Older Adults



## Demand for Food Assistance Rose among Older Adults

- The average number of households with a member age 60 or older participating in the Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp program) rose 25 percent from 2.0 million in fiscal year 2006 to 2.5 million in fiscal year 2009, while the U.S. population age 60 and older increased 9 percent over this period. Households with a member 60 and older participating in SNAP declined as a percentage of all participating households from 17.9 percent in fiscal year 2006 to 16.6 percent in fiscal year 2009.
- In 2011, GAO reported that the demand for Elderly Nutrition Program services—including home-delivered meals and congregate meals funded by the Older Americans Act—had increased since the start of the recession and was expected to continue to rise.

See GAO, *Nutrition Assistance: Additional Services Could Improve Efficiencies to Older Adults*, GAO-11-782T (Washington, D.C.: Jun. 21, 2011).

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## Finding 3: Medical Care, Purchasing Power, and Mortality Rates

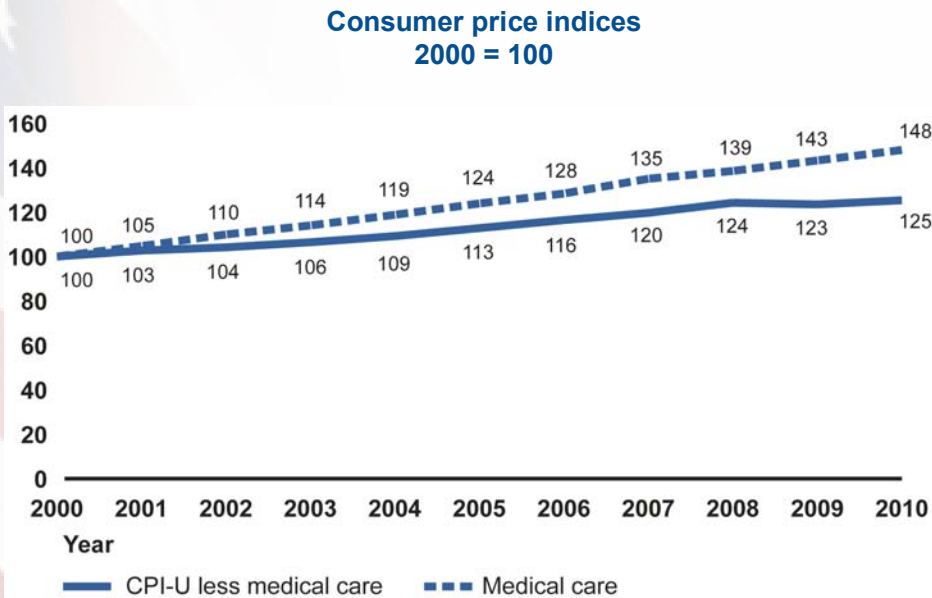
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- The cost of medical care continued to increase more rapidly than other prices (see fig. 19).
- Older adults spent more on medical care than younger adults (see fig. 20).

Finding 3: Medical Care, Purchasing Power, and Mortality Rates



## Figure 19: Medical Care Prices Continued to Increase More Than for Other Items



- Prices for medical care increased by 48 percent between 2000 and 2010.

Source: GAO analysis of Bureau of Labor Statistics data.

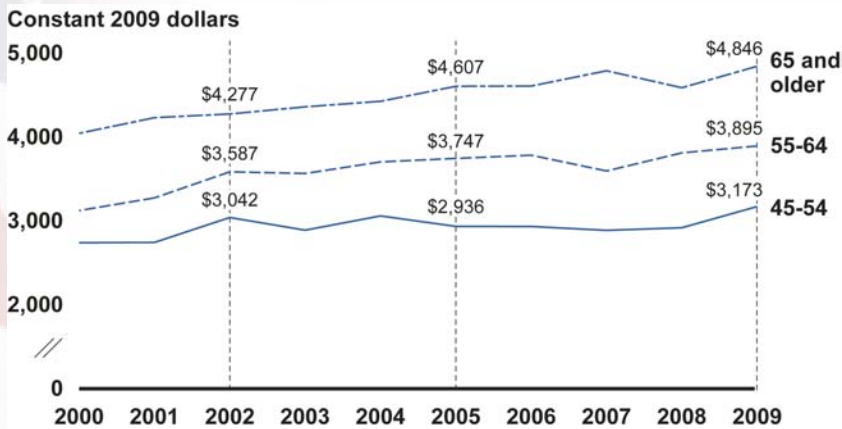
Note: Calculations are based on changes in CPI-U data from December of one year to December of the following year.

Finding 3: Medical Care, Purchasing Power, and Mortality Rates



## Figure 20: Adults in Older Age Groups Typically Spent More on Medical Care

Average out-of-pocket medical care expenditures per person by age group



- Adults in older age groups spent more on medical care than those in younger age groups.
- Medical care spending has increased even after adjusting for inflation in consumer prices.
- Generally, long-term increases in medical care spending continued during the recession.

Source: GAO analysis of Bureau of Labor Statistics, Consumer Expenditure Survey data.

Note: Estimates have 95 percent confidence intervals that are within +/- 9 percent of the estimate itself. All statements made in the text were found to be statistically significant.



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## Finding 3: Medical Care, Purchasing Power, and Mortality Rates (cont.)

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- Social Security Administration cost-of-living adjustments gave recipients a 5.8 increase in 2009, but there was no increase in 2010 or 2011 because price levels did not rise above the level that prompted the 2009 increase (see table 3).
- The purchasing power of Social Security benefits was maintained with cost-of-living adjustments and, for those receiving benefits in 2009, increased with a one-time \$250 Recovery Act payment in 2009 (see fig 21).
- Mortality rates for older adults continue to gradually decrease (see fig. 22).

Finding 3: Medical Care, Purchasing Power, and Mortality Rates



## Table 3: Cost-of-Living Adjustments (COLA) Adjust for Inflation, but with a Short Time Lag

### Trends in prices and Social Security benefits

	Third quarter price index averages (1982-84=100)	Percent change in third quarter price index over prior third quarter	COLA in January (percent)
2006	199.1	3.3	4.1
2007	203.6	2.3	3.3
2008	215.5	5.8	2.3
2009	211.0	-2.1	5.8
2010	214.1	1.5	0.0
2011	?	?	0.0

- Social Security COLAs increase benefits beginning in January based on the level of prices in the most recent July through September period compared with the level of prices in the preceding July through September period.
- After a 5.8 percent COLA in 2009, no COLA was made in 2010 or 2011 because prices had not risen above the 2008 level.

Source: Social Security Administration and Department of Labor, Bureau of Labor Statistics.

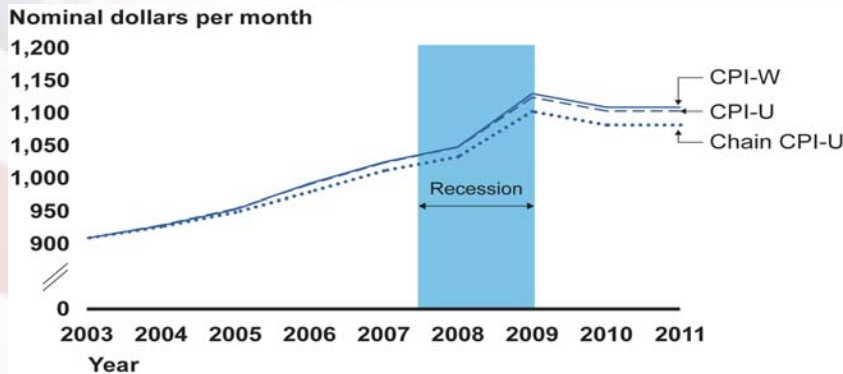
Note: The cost-of-living adjustments are calculated based on changes in the consumer price index for urban wage earners and clerical workers (CPI-W). There was no COLA in 2010 or 2011 because prices did not exceed the level of prices in the 3<sup>rd</sup> quarter 2008 in either the 3<sup>rd</sup> quarter of 2009 or the 3<sup>rd</sup> quarter of 2010.

Finding 3: Medical Care, Purchasing Power, and Mortality Rates



## Figure 21: COLAs Maintain SSA Benefit Purchasing Power

### Average monthly Social Security benefit for a worker retiring in 2003 if the Social Security COLA were based on alternative inflation measures



Source: GAO analysis of data from the Bureau of Labor Statistics and SSA.

Note: These figures show adjustments in January each year based on the increase in prices during the most recent July to September period over the preceding July to September period. COLAs are not provided if prices in the most recent July to September period were below the level of prices in the period that last prompted a COLA. Shaded area indicates the period of the recession. The 2009 figures include 1/12th of a one-time \$250 stimulus payment to SSA recipients in May 2009. The chained CPI-U figures are based on initial estimates. Final figures for this index are available more than a year after the prices change.

- COLAs are currently based on the CPI-W, reflecting prices for urban wage earners and clerical workers. The consumer price index for all urban consumers (CPI-U) and the chained CPI-U reflect prices for all urban consumers.
- Because of a one-time \$250 Recovery Act stimulus payment in 2009, beneficiaries experienced an increase in purchasing power.
- There is concern that the CPI-W may be based on consumer items that may not be representative of those purchased by older adults. No reliable measure is currently available of inflation targeted exclusively on older adults' consumption.

Finding 3: Medical Care, Purchasing Power, and Mortality Rates



## Experimental Price Index for the Elderly (CPI-E) Is Intended to Track Inflation for Older Adults

- The CPI-E, which was created by the Bureau of Labor Statistics (BLS) in response to a 1987 amendment in the Older Americans Act, is an experimental price index that aims to track inflation for the population aged 62 and older.
- BLS cautioned against using the CPI-E for pension and other adjustments because it is only an approximation of an index for older Americans.
- According to BLS, a reliable CPI-E would require:
  - a larger sample of older Americans in the consumer expenditure survey,
  - new samples of market-based items, stores, and prices to represent older Americans' purchasing patterns, and
  - further examination of the CPI-E's medical care component, since older Americans have different illnesses and medical expenses than the rest of the population.

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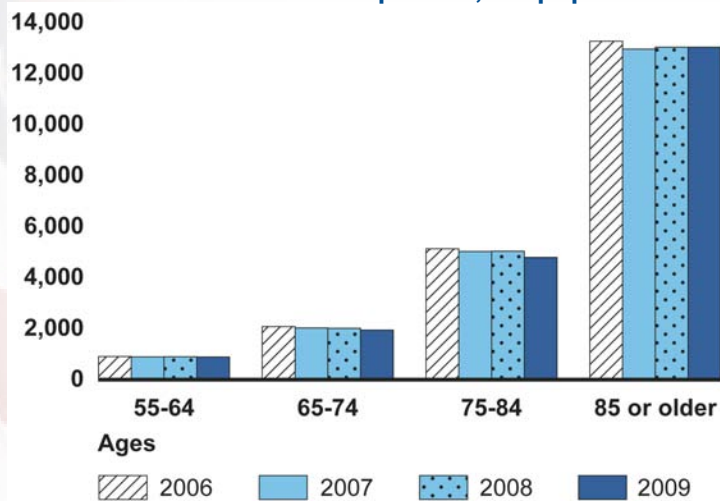


Finding 3: Medical Care, Purchasing Power, and Mortality Rates



## Figure 22: Mortality Rates for Older Adults Continue to Gradually Decrease

Mortality rates by age group, 2006-2009  
annual deaths per 100,000 population



- As mortality rates decrease, life expectancy increases.

Source: Centers for Disease Control and Prevention, National Center for Health Statistics, *National Vital Statistics Reports: Deaths: Preliminary Data* (for 2009).

Note: Preliminary estimates of deaths in 2009 are based on files that may not be complete. Research using data for the 1972 to 2001 period indicate that declines in mortality rates were greater for men with higher earnings than for those with lower earnings. See Hilary Waldron, "Trends in Mortality Differentials and Life Expectancy for Male Social Security-Covered Workers, by Socioeconomic Status," *Social Security Bulletin* 67(3) 2007.



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## Concluding observations

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- The recession of 2007 to 2009 has had a profound impact on American workers and their families. Many older adults, like other age groups, have lost employment and wealth.
  - The major challenges for older adults are that they have less time before retirement to make up for these losses, and they typically face greater medical expenses.
  - Social Security likely helped keep at least some eligible long-term unemployed older adults from falling into poverty. Workers who left the workforce prematurely could face insufficient income at older ages because they may have reduced monthly Social Security benefits and less savings than may be needed over a longer period of time.
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## Concluding observations (cont.)

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- More of today's older retirees are able to rely on lifetime retirement income from defined benefit plans than will in the future.
- The shift from defined benefit to defined contribution pension plans will make future retirees:
  - more dependent on their own choices about how much to save, how to invest those savings, at what age to retire, and how to draw upon those savings; and
  - more vulnerable to financial market volatility.



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### **Contact**

Chuck Young, Managing Director, Public Affairs, [youngc1@gao.gov](mailto:youngc1@gao.gov)  
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# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

Charles A. Jeszeck, at (202) 512-7215 or [jeszeckc@gao.gov](mailto:jeszeckc@gao.gov)

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## Staff Acknowledgments

In addition to the contact names above, the following staff members made important contributions to this report: Michael J. Collins, Assistant Director; Rachel E. Frisk; Kathy D. Leslie; Mimi Nguyen; Thomas A. Moscovitch; Rhiannon Patterson; Benjamin Pfeiffer; Kathleen K. Scholl; Kenneth C. Stockbridge; Roger J. Thomas; Frank Todisco; Walter K. Vance; Kathleen L. Van Gelder; and Eve M. Weisberg.

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# Related GAO Products

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*Nutrition Assistance: Additional Services Could Improve Efficiencies to Older Adults.* [GAO-11-782T](#). Washington, D.C.: June 21, 2011.

*Retirement Income: Ensuring Income throughout Retirement Requires Difficult Choices.* [GAO-11-400](#). Washington, D.C.: June 7, 2011.

*Older Americans Act: More Should Be Done to Measure the Extent of Unmet Need for Services.* [GAO-11-237](#). Washington, D.C.: February 28, 2011.

*Social Security Reform: Raising the Retirement Ages Would Have Implications for Older Workers and SSA Disability Rolls.* [GAO-11-125](#). Washington, D.C.: November 18, 2010.

*Retirement Security: Women Face Challenges in Ensuring Financial Challenges in Retirement.* [GAO-08-105](#). Washington, D.C.: October 11, 2007.

*Highlights of a GAO Forum: Engaging and Retaining Older Workers.* [GAO-07-438SP](#). Washington, D.C.: February 28, 2007.

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