Spending by older consumers: 1980 and 1990 compared

Estimates of expenditure and income suggest that today's older Americans have higher preretirement and pension earnings than their 1980 counterparts; this is especially true of those aged 65 to 74

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As the century draws to an end, more attention is being focused on the aging of the Nation's population. Persons aged 65 years and older will comprise more than 14 percent of the U.S. population by 2010, and 22 percent by 2030.[1] (See table 1.) Today, 1 in 8 consumer units has a household head aged 65 or older.[2] With such a large demographic shift, spending patterns in the economy will change. Over the last 10 years, the population aged 65 and older has grown by 22 percent, compared with 9 percent for those under age 65.[3] Among persons 65 and older, the rate of population increase rises with age. During the 1980's, the population aged 65 to 74 grew by 16 percent, while the numbers of persons aged 75 and older rose 31 percent.[4] The economic consequences of an aging population are being studied closely by economists, sociologists, and policymakers.

An earlier article in the *Review*, which examined the expenditures of older persons using 1984 data from the Bureau of Labor Statistics Consumer Expenditure Survey, reported distinct differences in spending patterns between persons aged 65 to 74 and those aged 75 and older.[5] In particular, differences were found in expenditures for housing, transportation, and health care. Differences also were found in income. This article updates estimates of expenditures and income for the same two age groups. Consumer units (or "households")[6] whose reference person (or "household head") is aged 65 to 74 are referred to as the "younger group," while those with reference persons aged 75 and older are termed the "older group."

Tables 2 and 3 summarize the differences in characteristics and spending patterns of the two major subgroups of older Americans between 1980 and 1990. For both groups, the largest expenditures in both years were for housing, followed by food and transportation. (Unless otherwise indicated, all expenditure and income estimates presented in this article are in current dollars.) However, the younger group had higher total expenditures and income than the older group in both 1980 and 1990. Consumer units in the younger group spent, on average, a significantly larger amount on every major expenditure category except housing and health care in both years. They did not spend much more on housing than the older group in 1980, but did in 1990. However, they did spend less on health care. In addition, other important changes occurred in measures for transportation, Social Security and pensions, entertainment, and travel.

Expenditure trends

Housing. Older consumer units benefited from the post-World War II building boom,

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Table 1. **The older population as a share of the total U.S. population, 1900–1990, and projected to 2050**

[In thousands]

Year	Total	65 to 74 years		75 years and older	
		Number	Percent	Number	Percent
1900	75,995	2,187	2.9	894	1.2
1950	150,697	8,415	5.6	3,854	2.5
1970	203,302	12,447	6.1	7,533	3.7
1980	226,546	15,581	6.9	9,969	4.4
1990	248,710	18,045	7.3	13,033	5.2
2000	268,266	18,243	6.8	16,639	6.2
2010	282,575	21,039	7.4	18,323	6.5
2020	294,364	30,973	10.5	21,094	7.2
2030	300,629	35,988	12.0	29,616	9.8
2040	301,807	30,808	10.2	37,301	12.4
2050	299,849	31,590	10.5	36,942	12.4

SOURCE: Cynthia Taeuber, *Sixty-Five Plus in America, Current Population Reports*, Special Studies P23-178 (Bureau of the Census, 1992). Data for 1900 to 1990 are April 1 census figures. Data from 2000 to 2050 are projections to July 1 of each year. Projections are based on middle (moderate) fertility, mortality, and immigration assumptions.

during which demand was high, mortgages were obtainable at low interest rates, and tax incentives and other Federal policies designed to promote homeownership were in effect. During the 1960's and 1970's, the highest rate of increase in homeownership was among the group aged 45 through 64.[7] Mortgage interest rates hovered around 6 percent through the mid-1960's, remained below 9 percent until the late 1970's, and then rose sharply, reaching a high of 15 percent in 1982.[8] The low interest rates and home prices of the 1960's and 1970's are reflected in the currently large number of homeowners aged 65 and older who have paid off their mortgages (81 percent).

In the last 10 years, the homeownership rate has continued to increase among both the older and younger groups. It rose from 76 percent in 1980 to 82 percent in 1990 for the younger group, and from 66 percent to 72 percent for older households. As homeownership increased, so did the proportion of those homeowners aged 65 to 74 with mortgages – 18 percent in 1980, compared with 27 percent in 1990. The proportion of those aged 75 and older with a mortgage was unchanged, at 8 percent, between 1980 and 1990. Consistent with higher rates of homeownership and higher interest rates are higher mortgage interest expenditures. The younger group spent 4 times more on mortgage interest in 1990 than they did in 1980, and the older group spent twice as much as in the earlier year. Even though mortgage interest payments have increased dramatically, particularly for the younger group, they are still a small proportion of the *average* total housing budget because of the large number of older consumer units who own homes without mortgages. Utilities (30 percent), property taxes (13 percent), and maintenance, repairs, and insurance (11 percent) still consume the bulk of their housing budgets.

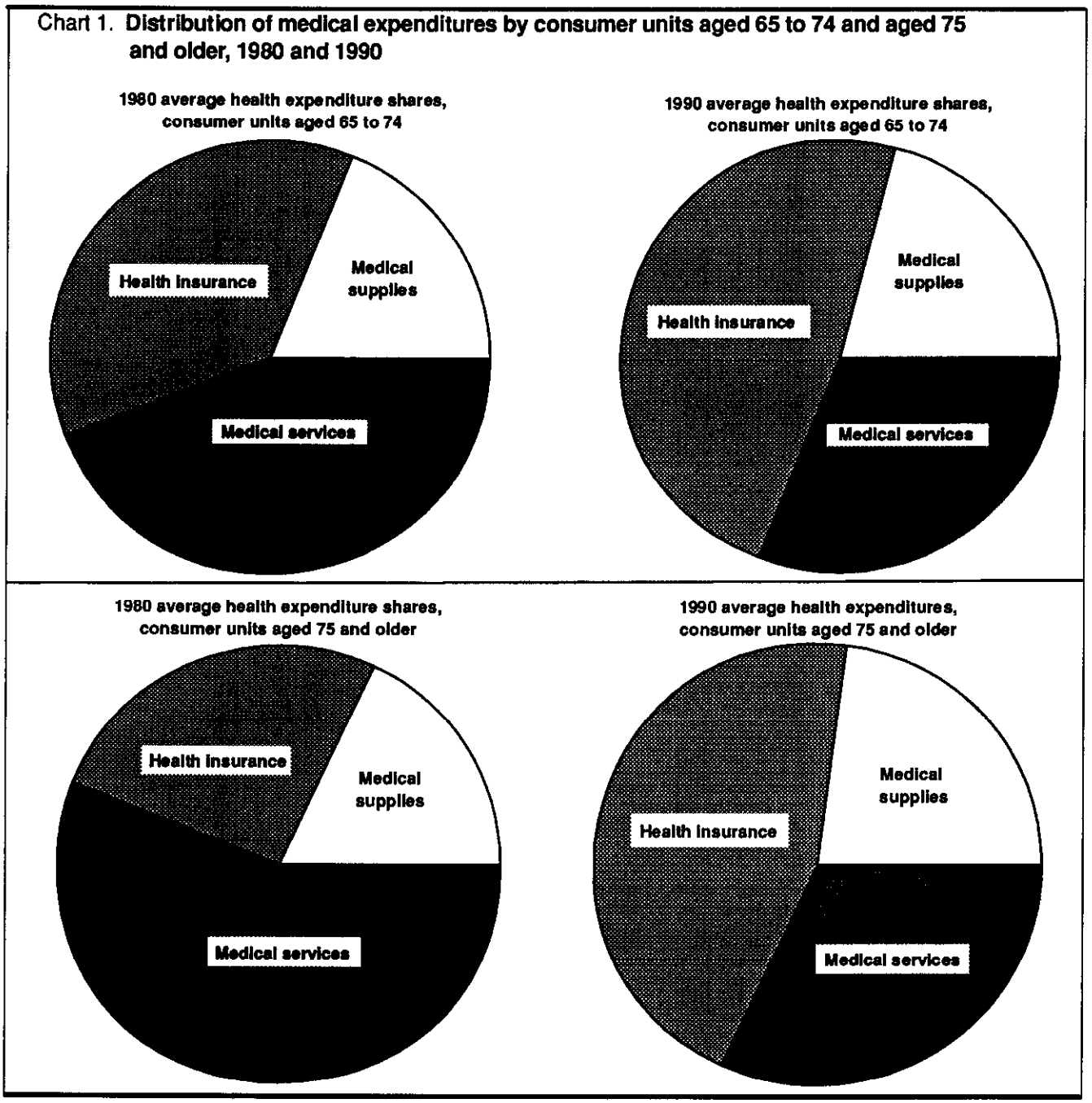
Another component of housing expenditures that grew substantially among the two groups is "other lodging." The younger group's expenditures on other lodging more than tripled since 1980; the older group's more than doubled. Other lodging includes two major components: owned second homes and out-of-town lodging, such as costs for hotels, motels, cottages, and so forth. Most of this increase is included in "lodging while out of town," the largest component of other lodging, which will be discussed below under travel.

Health care. More of the total budget of those aged 65 and older now is consumed by out-of-pocket health care expenditures than was the case in the early 1980's. As health care costs rise, older persons are paying higher health plan premiums, deductibles, and copayments, and more older persons are buying commercial supplements to medicare, which is causing a shift in health expenditure shares from medical services to health insurance for both age groups. Table 4 shows detailed out-of-pocket health care expenditures and shares for older households in 1980 and 1990.

During the 1980's, out-of-pocket medical service expenditures increased 67 percent for the younger group and 4 percent for the older group, and the medical services component of the Consumer Price index for All Urban Consumers rose more than 115 percent.[9] However, while both the level of expenditures and the Consumer Price Index increased, the share of medical service expenditures in the total health care budget dropped from 44 percent in 1980 to 31 percent in 1990 for those consumer units with heads aged 65 to 74, and from 57 percent to 32 percent for those in the older group. (See chart 1.)

Contributing to trends in medical costs were the large increases over the last decade in medicare deductibles and copayments required for hospital stays of more than 60 days. Medicare inpatient hospital deductibles – the

Chart 1. **Distribution of medical expenditures by consumer units aged 65 to 74 and aged 75 and older, 1980 and 1990**



share of expenses that must be paid by the patient before medicare payments kick in—rose from $180 in 1980 to $560 in 1990. Copayments are the share of hospital costs that must be born by the insured after the insurance program has begun to pay its share. These copayments for the 61st through the 90th days rose from $45 in 1980 to $148 in 1990; copayments after 90 days tripled as well.[10]

The seeming inconsistency of a large increase in price and a relatively small increase in out-of-pocket medical service expenditures is partially explained by the tripling of health insurance expenditures by consumers: the increase in medicare deductibles and copayments, and the general rise in cost for medical services have served as an impetus to acquire more comprehensive health insurance coverage to supplement medicare. Having more health insurance, covering a wider range of health care needs, reduces out-of-pocket medical service expenditures. Health insurance as a

Table 2. **Average total expenditures and t-statistics by age, Consumer Expenditure Interview Survey, 1980**

Item	Age				t-statistic
	Under 65	65 and older			65 to 74 vs. 75 and older
		Total	65 to 74	75 and older	
Total consumer units (in thousands)	65,023	17,029	10,751	6,278	—
Consumer unit characteristics:					
Income before taxes	$20,386	$9,615	$10,150	$8,629	—
Average number of persons	3.0	1.8	1.9	1.8	—
Average age of reference person	40.0	73.3	69.3	80.3	—
Average number in consumer unit:					
Earners	1.7	.4	.5	.3	—
Vehicles	2.2	1.2	1.4	.8	—
Resident children under 18	1.0	0	.1	0	—
Persons aged 65 and older	0	1.4	1.3	1.4	—
Percent homeowners:					
With mortgage	44	10	13	5	—
Without mortgage	18	63	63	61	—
Percent renters	38	28	24	34	—
At least one vehicle owned (percent)	88	70	79	55	—
Total expenditures	$17,779	$10,095	$10,744	$ 8,984	*2.31
Food, total	3,364	2,168	2,363	1,835	*6.13
Food at home	2,540	1,745	1,881	1,511	*5.10
Food away from home	824	424	482	323	*3.88
Alcoholic beverages	302	112	125	89	*2.33
Housing, total	5,002	3,269	3,221	3,351	−.63
Shelter	2,792	1,530	1,564	1,471	.66
Owned dwellings	1,673	889	982	729	*2.40
Mortgage interest	974	102	132	51	*2.99
Property taxes	317	328	347	296	1.26
Maintenance, repairs, and insurance	382	458	503	382	1.60
Rented dwellings	863	498	421	629	*−3.93
Other lodging	257	143	161	113	1.83
Utilities	1,228	990	1,049	888	*5.15
Household operations	222	375	157	748	*−5.96
Housefurnishings and equipment	760	374	451	244	*5.18
Apparel and services	970	375	450	246	*6.70
Transportation	3,876	1,626	1,972	1,035	*4.75
Health, total	658	992	899	1,152	*−3.35
Medical services	364	487	393	647	*−4.01
Health insurance	200	320	333	298	1.52
Prescription drugs, medical supplies	95	186	173	207	*−1.97
Entertainment	808	262	322	158	*4.80
Personal care	149	127	140	107	*3.63
Reading	115	82	89	71	*2.76
Education	233	23	27	15	.82
Tobacco and smoking supplies	197	93	111	63	*4.75
Miscellaneous	272	168	191	129	1.52
Cash contributions	437	532	502	584	−.37
Pensions, retirement, and so forth	1,108	141	182	72	*4.48
Life and other insurance	287	124	150	81	*4.46

NOTE: Asterisk denotes significance at the 95-percent confidence level.

share of total health expenditures expanded from 37 percent in 1980 to 48 percent in 1990 for the younger group, and from 26 percent to 45 percent for the older group.

While increased expenditures for health insurance premiums are seen for all age groups in the population over the 1980–90 period, they are most dramatic for those over 65. In large part, the greater expenditures indicate an increase in participation in commercial health insurance plans. The proportion of households aged 65 to 74 reporting expenditures for commercial supplements to medicare doubled, from 12 percent in 1980 to 23 percent in

Table 3. **Average total expenditures and t-statistics by age, Consumer Expenditure Interview Survey, 1990**

Item	Age				t-statistic
	Under 65	65 and older			65 to 74 vs. 75 and older
		Total	65 to 74	75 and older	
Total consumer units (in thousands)	76,889	20,079	11,318	8,761	—
Consumer unit characteristics:					
Income before taxes	$35,433	$18,842	$21,501	$15,435	—
Average number of persons	2.8	1.7	1.9	1.6	—
Average age of reference person	40.1	74.2	69.2	80.7	—
Average number in consumer unit:					
Earners	1.6	.4	.6	.2	—
Vehicles	2.1	1.5	1.8	1.0	—
Resident children under 18	.9	.1	.1	0	—
Persons aged 65 and older	0	1.4	1.4	1.3	—
Percent homeowners:					
With mortgage	45	15	22	6	—
Without mortgage	14	63	60	66	—
Percent renters	42	22	18	27	—
At least one vehicle owned (percent)	89	78	87	67	—
Total expenditures	$29,442	$18,072	$20,386	$15,082	*6.24
Food, total	4,636	3,236	3,717	2,613	*7.93
Food at home	3,353	2,494	2,827	2,064	*7.93
Food away from home	1,284	741	890	549	*4.46
Alcoholic beverages	290	113	143	73	*4.37
Housing, total	9,029	5,752	6,174	5,208	*3.08
Shelter	5,529	3,128	3,339	2,857	1.87
Owned dwellings	3,234	1,880	2,081	1,619	*2.33
Mortgage interest	2,195	367	568	107	*7.64
Property taxes	555	760	824	677	1.76
Maintenance, repairs, and insurance	484	753	689	835	−.89
Rented dwellings	1,715	839	734	974	*−2.38
Other lodging	581	410	524	264	*3.32
Utilities	1,941	1,697	1,838	1,515	*5.32
Household operations	460	393	342	460	−1.28
Housefurnishings and equipment	1,099	533	654	377	*3.99
Apparel and services	1,499	615	755	434	*6.06
Transportation	5,625	2,863	3,444	2,113	*4.36
Health, total	1,204	2,109	2,102	2,118	−.12
Medical services	535	664	656	674	−.17
Health insurance	475	990	1,014	960	.95
Prescription drugs, medical supplies	194	456	432	485	−1.98
Entertainment	1,512	664	874	393	*7.37
Personal care	248	228	260	187	*4.53
Reading	157	137	156	112	*4.46
Education	465	45	36	57	−.55
Tobacco and smoking supplies	302	156	207	90	*6.02
Miscellaneous	630	411	510	283	*1.99
Cash contributions	761	1,026	937	1,141	.89
Pensions, retirement, and so forth	2,712	468	730	130	*6.60
Life and other insurance	370	249	341	131	*5.00

NOTE: Asterisk denotes significance at the 95-percent confidence level.

1990[11]; a similar rise is seen for the older group as well. Another reason why health insurance accounts for a growing portion of the health care budget involves rising premiums for the Government's Medicare Supplementary Medical Insurance for medicare participants: monthly premiums for this insurance tripled over the decade, from $9.60 per individual in 1980 to $28.60 in 1990.

Transportation. While the share of expenditures accounted for by transportation did not change significantly over the 1980's, more older consumer units owned an automobile in

1990 than in 1980. The percentage of consumer units who owned an automobile increased from 79 percent in 1980 to 87 percent in 1990 for the younger group, and from 55 percent to 67 percent for older households. As a consequence, the share of the transportation budget devoted to vehicle finance charges and insurance increased significantly. The share attributable to gasoline expenditures declined substantially, in part due to falling oil prices, while the level of such expenditures remained virtually unchanged. In 1980, oil prices were high after the 1979–80 oil shock, but in 1982, the price of gasoline began to decline as the oil supply situation eased. It was not until 1990 that the price of gasoline reached a level above that of 1980. As measured by the Consumer Price Index for All Urban Consumers, the price of gasoline rose 24 percent from 1980 to 1990.

Retirement, pensions, and Social Security. Shares of total expenditures for retirement funds changed significantly for the younger group over the 1980–90 period. (See table 5.) Social Security taxes, the largest component of retirement expenditures, more than tripled for the younger households, rising from $148.83 in 1980 to $463.15 in 1990. (Because the older group has fewer earners, they are less affected by changes in Social Security tax rates.) The Social Security tax on wage and salary workers rose from 6.1 percent in 1980 to 7.7 percent in 1990, and that for self-employed persons, from 8 percent to over 15 percent. At the same time, the earnings base to which the Social Security tax is applied was raised from $25,900 to $51,300. Of course, while some of the increase in retirement expenditures is accounted for by changes in Social Security regulations, another contributing factor is higher earnings, which will be discussed in the section below on income.

Table 4. **Health expenditures by age group from the Consumer Expenditure Interview Survey, 1980 and 1990**

Expenditure type	1980			1990		
	65 and older			65 and older		
	Total	65 to 74	75 and older	Total	65 to 74	75 and older
Total health care expenditures	$992	$899	$1,152	$2,109	$2,102	$2,118
Medical services	487	393	647	663	656	674
Physician services	152	149	158	227	232	220
Nonphysician services	335	245	489	437	424	454
Prescription drugs[1]	146	138	161	395	372	424
Health insurance, total	320	333	298	990	1,014	960
Health maintenance organizations, Blue Cross/Blue Shield	93	99	83	284	269	303
Commercial health insurance	77	82	69	164	185	137
Medicare payments	113	113	114	348	349	345
Commercial supplements to medicare, other health insurance	37	40	32	194	210	174
Medical supplies	39	35	46	61	60	61
Percent of health budget:						
Medical services	49.0	43.7	56.2	31.4	31.2	31.8
Physician services	15.3	16.5	13.7	10.8	11.0	10.4
Nonphysician services	33.7	27.3	42.5	20.6	20.1	21.4
Prescription drugs[1]	14.8	15.4	14.0	18.7	17.6	20.0
Health, insurance, total	32.3	37.0	25.9	46.9	48.1	45.3
Health maintenance organizations, Blue Cross/Blue Shield	9.4	11.0	7.3	13.5	12.8	14.3
Commercial health insurance	7.8	9.1	6.0	7.8	8.8	6.5
Medicare payments	11.4	12.6	9.9	16.5	16.6	16.3
Commercial supplements to medicare, other health insurance	3.7	4.4	2.8	9.2	10.0	8.2
Medical supplies	3.9	3.9	4.0	2.9	2.9	2.9

[1]Includes prescription drugs and nonprescription drugs.
NOTE: Asterisk denotes significance at the 95-percent confidence level.

The second largest component of pensions and Social Security comprises IRA's and Keogh fund contributions, reflecting the readier availability of the plans and the tax advantages of IRA's, which were introduced into the tax code in 1981. Expenditures for tax-deferred saving plans increased from an average of $14 in 1980 to $211 in 1990 for households aged 65 to 74. The percent of consumer units in this age group reporting IRA and Keogh fund expenditures rose from 3 percent to 12 percent over the same period.

Entertainment. Both the younger and older groups spent significantly larger shares of total expenditures on entertainment in 1990 than they did in 1980. (See table 4.) While some of this change is due to an increase in fees and costs of admission, and part reflects greater TV, radio, and sound equipment expenditures. (See table 6.) Spending on TV, radio, and sound equipment more than tripled for the younger group, and more than doubled for older households. Over the same period, the percent of consumer units reporting TV, radio, and sound equipment expenditures grew from 30 to 61 percent for the younger group, and from 24 to 43 percent for older households. A large part of this increase is accounted for by growth in cable TV expenditures. The average annual outlay for cable TV increased from $19.59 to $148.10 for the younger group, and from $18.41 to $90.56 for the older group. Three times as many of the younger households and

Table 5. **Itemized expenditure shares for the older population, by age group, from the Consumer Expenditure Interview Survey, 1980 and 1990**

Share of total expenditures by item	Age group 65 to 74		t-share, 1990 versus 1980	Age group 75 and over		t-share, 1990 versus 1980
	1980	1990		1980	1990	
Food at home	17.5	13.9	*–4.09	16.8	13.7	*–2.10
Food away from home	4.5	4.4	– .29	3.6	3.6	.08
Housing	30.0	30.0	.18	37.3	34.5	–.83
Apparel and services	4.2	3.7	–1.41	2.7	2.9	.37
Transportation	18.4	17.0	–1.02	11.5	14.0	1.10
Health care	8.4	10.0	*3.06	12.8	14.0	.87
Entertainment	3.0	4.3	*3.30	1.8	2.6	* 2.34
Reading	.8	.8	–.88	.8	.7	– .52
Social Security contribution,pensions	1.7	3.6	* 3.94	.8	.9	.32
Life insurance	1.4	1.7	1.22	.9	.9	–.19
Other	10.2	10.3	.49	11.0	12.2	1.81

NOTE: Asterisk denotes significance at the 95-percent confidence level.

Table 6. **Entertainment and travel expenditures for the older population, by age, Consumer Expenditure Survey, 1980 and 1990**

Item	1980, Persons aged—		1990, Persons aged—	
	65 to 74	75 and older	65 to 74	75 and older
Entertainment, total	$340	$168	$874	$393
Fees and admissions	130	57	330	153
TV's, radios, and sound equipment	116	75	316	160
Other entertainment[1]	94	36	229	79
Travel, total	417	235	854	435
Food on trips	114	58	245	120
Lodging on trips	89	62	253	131
Transportation on trips	214	115	356	202
Gasoline	93	34	100	42
Airfare	78	61	175	107
Intercity bus fare	14	5	19	15
Other	29	15	52	38

[1]Includes pets, toys, playgrounds, boats, and photographic equipment and supplies.

Table 7. **Income of older households from the Consumer Expenditure Interview Survey, 1980 and 1990**

Type of income	1980, Persons aged—			1990, Persons aged—		
	65 and older	65 to 74	75 and older	65 and older	65 to 74	75 and older
Income before taxes	$9,615	$10,150	$ 8,629	$18,842	$21,501	$15,465
Type of income:						
Wages and salaries	1,812	2,317	880	3,552	5,439	1,133
Self-employment income	469	586	253	640	973	215
Social Security, railroad retirement income	4,115	4,180	3,996	8,296	8,216	8,398
Pensions and annuities	1,341	1,482	1,080	3,354	3,960	2,578
Interest and dividends	1,484	1,181	2,042	2,539	2,400	2,716
Other income	394	403	379	462	515	394
Percent of pretax income:						
Wages and salaries	18.8	22.8	10.2	18.9	25.3	7.3
Self-employment income	4.9	5.8	2.9	3.4	4.5	1.4
Social Security, railroad retirement income	42.8	41.2	46.3	44.0	38.2	54.3
Pensions and annuities	13.9	14.6	12.5	17.8	18.4	16.7
Interest and dividends	15.4	11.6	23.7	13.5	11.2	17.6
Other income	4.1	4.0	4.4	2.5	2.4	2.6

twice as many of the older ones reported this type of expenditure in 1990 than was the case in 1980. These increases follow a national trend reflecting the proliferation of home entertainment centers and other sources of home-based entertainment, and the rising cost of cable services.

Travel. Travel expenditures more than doubled between 1980 and 1990 for the younger group and for older households. In part, rising expenditures for both groups indicate that they are doing more traveling, at least in part because of cheaper airfares resulting from the deregulation of the airline industry, and cheaper gasoline. The components included in travel expenditures are food, lodging, transportation, and entertainment expenditures for out-of-town trips.[12] Table 6 shows the 1980 and 1990 travel expenditure levels and shares separately for the younger and older households. For both groups and in all categories (food, lodging, transportation, and entertainment), there were increased expenditures and greater numbers of consumer units reporting expenditures.

Food expenditures while on out-of-town trips increased at a slightly faster rate than did total trip expenditures for both groups. As a share of the total spent for food away from home, food on trips was up slightly for both groups.[13] Explaining much of this rise is the 5- to 6-percentage-point increase in the proportion of consumer units in both groups reporting such expenditures, the share of the younger growing from 26 percent to 31 percent, and that of the older, from 13 percent to 19 percent.

Lodging expenditures while out of town rose as well, although as a share of the total travel budget, they grew more for the younger group (21 percent in 1980 to 30 percent in 1990) than for older households (26 percent to 29 percent). These increases can be attributed to growth in the percent of consumer units in these age groups reporting lodging while out of town—an increase from 13 percent in 1980 to 18 percent in 1990 for the younger group, and from 6 to 10 percent for the older group.

Over the same period, transportation expenditures for travel rose 66 percent for the younger group and 76 percent for older consumer units. The subcomponents of transportation expenditures on trips include travel fares, vehicle rental, and gasoline purchases. As indicated earlier, travel by air was stimulated during the 1980's by special fares and inducements introduced by airlines following Federal deregulation of that industry in 1978. Average expenditures on airline fares rose 68 percent for all consumer units, with the age 65-to-74 group showing the largest increase—124 percent. The older group's airfare expenditures

were up 75 percent. Explaining much of this rise in average expenditure is the fact that more older people (those 65 and older) are traveling via airplane. Both the younger and older groups reported similar increases in percent reporting airline expenditures. In 1980, 5 percent of the younger group and 4 percent of the older group reported such expenditures, but by 1990, these figures were 8 percent and 5 percent, respectively.

Over the same period, the level of gasoline expenditures on trips remained about the same, in part due to falling oil prices. The growth in the percent of consumer units reporting gasoline expenditures on trips is evidence of a general increase in travel by car. Over the period 1980–90, the percent of households reporting gasoline expenditures for trips increased 2 percentage points for both the younger and older groups (27 percent to 29 percent for the former, and 14 percent to 16 percent for the latter).

Income

Changes in expenditures often reflect changes in income. The average income for households with reference persons aged 65 or older doubled during the 1980's. But this figure masks the diversity of income patterns that exists within the older population. The heterogeneity of the group becomes particularly apparent when one looks at income sources, levels, shares, and poverty rates. The younger group's income rose faster, increasing 112 percent (in 1990 dollars), versus 79 percent for the older group. (See table 7.) In 1980, the younger group's average income was 18 percent higher than that of the older group, but by 1990, the younger group's income was 39 percent higher. The larger increase in income among the younger households is accounted for by the fact that their lifetime earnings and contributions to Social Security and government or private pensions are greater than those of their older counterparts.[14]

Social Security remained a less important source of income for the younger group than for the older group over the study period. As a proportion of total income, Social Security income decreased for the younger group (41 to 38 percent), and increased for the older group (46 to 54 percent) between 1980 and 1990. However, the current-dollar level of Social Security income increased 96 percent for the younger group and 110 percent for older households, a substantial rise for both groups, and well above the 58-percent increase in the Consumer Price Index. And, more consumer units from each group reported receiving Social Security income: for the younger group, the percent reporting such income rose from 90 percent in 1980 to 94 percent in 1990, while that for older households was up from 93 percent to 97 percent. This increase could be accounted for by the long-term trend toward earlier retirement, which continued throughout the 1980's for men. Civilian labor force participation rates fell from 19 percent in 1980[15] to 16 percent in 1990[16] for men aged 65 and older.

Wages and salaries remain the second largest source of income for those aged 65 to 74. Wages and salaries more than doubled for the younger group over the 1980–90 timespan, while increasing almost one-third for the older group and a little over two-thirds for all other age groups. For the younger group of persons 65 and older, the proportion of income derived from wages and salaries rose from just under 23 percent in 1980 to slightly over 25 percent in 1990, while the corresponding ratio for the older group decreased from 10 percent to 7 percent. The changes can be accounted for by trends in the number of earners per consumer unit, specifically, an increase in the number of earners per household in the younger group, from 0.5 to 0.6, compared with a decrease of 0.3 to 0.2 earners for older households. Additionally, while civilian labor force participation rates fell for older men, those for older women actually rose. The rate of increase in labor force participation among women aged 65 to 74 could account for the rise in the average number of earners per consumer unit in the younger group.[17]

For the older group, a higher percentage of whom are retired, private pensions and annuities remain the second largest source of income. However, pensions and annuities were a more important source of income for both age groups in 1990 than in 1980. Such income rose 167 percent for the younger group and 139 percent for the older group over the study period. As a proportion of total income, pensions and annuities grew from 15 percent in 1980 to 18 percent in 1990 for the younger group, and from 13 percent to nearly 17 percent for older households. Explaining much of this pattern of rise is an

increase in the percent of consumer units reporting pensions and annuities: the percent doing so increased faster for the younger consumer units than for the older ones. The share of the younger group reporting such income grew from 35 percent in 1980 to 47 percent in 1990, while the corresponding measure for the older group rose from 29 percent to 40 percent. This phenomenon reflects the increased availability of private retirement funds and tax advantages of certain types of funds, from which the younger group have had more opportunity to benefit than have the older group.

Income from interest and dividends followed a pattern that differed from that of pensions and annuities. The level of income derived from interest and dividends doubled for the younger group, and increased by one-third for the older group over the period 1980-90. However, the share of total income derived from interest and dividends fell from 12 to 11 percent for the younger group and from 24 to 18 percent for older households. The percent of consumer units reporting such income also declined—from 47 to 45 percent for the younger group and from 45 to 43 percent for the older group.

As with income, there are large differences in poverty rates between the age groups. For those aged 65 and older, the poverty rate fell from 16 percent in 1980 to 11 percent in 1990. The following tabulation shows poverty rates of older persons in 1990 by age:[18]

Age	Percent in poverty 1980	Percent in poverty 1990
Under 65 years	12.3	13.0
65 years and older	15.4	12.2
65 to 74 years	13.1	9.7
75 years and older	20.1	16.0

The dramatic differences in poverty rates among the groups is partially accounted for by factors such as number and sex of earners in the household. Older groups are characterized by fewer earners and more women. Both men and women have longer life expectancies than they did in 1980, part of a long-term trend explained by improvements in medicine and technology. At 65 years, the average life expectancy was 16.4 years in 1980 and 17.2 years in 1990. But women still outlive men. At age 65, a woman's average life expectancy exceeds a man's by 4 years. Women over the age of 65, who grew up during an era in which fewer women worked outside the home, are less likely to have access to pension and Social Security income in their own names. However, with the increase in the number of women who have entered the labor force over the last 20 years, it is more likely that women over 65 will be entitled to their own pension and Social Security income in the future.

THESE FINDINGS tend to support assertions of other analysts that we are seeing a "golden age of the golden years,"[19] in that persons aged 65 years and older have higher expenditures and income than they did 10 years ago. Over the 1980's, the two older groups studied here more or less followed the same trends in terms of home and vehicle ownership and health, pension, and travel expenditures. The continuing availability of data from the Consumer Expenditure Survey will allow analysts to follow the economic activities of the growing cohorts of older persons in the future. □

Footnotes

[1] Gregory Spencer, *Projections of Population of U.S., by Sex, Age, and Race 1980 to 2080, Current Population Reports,* Series P-25, No. 1018 (Bureau of the Census, January 1989).

[2] Cynthia Taeuber, *Sixty-five Plus in America, Current Population Reports,* Special Studies P23-178 (Bureau of the Census, 1992).

[3] *Ibid.*

[4] *Ibid.* The population aged 75 to 84 grew by 30 percent. The cohort aged 80 and older grew by 33 percent.

[5] Beth Harrison, "Spending patterns of older persons revealed in expenditure survey," *Monthly Labor Review,* October 1986, pp. 15-17.

[6] A consumer unit is either (1) all members of a household who are related by blood, marriage, adoption, or other legal arrangements; (2) two or more persons living together who pool their income to make joint expenditure decisions; or (3) a person living alone or sharing a household with others, or living as a roomer in a private home or lodging house or in permanent living quarters in a hotel or motel, but who is financially independent. A person is considered financially independent if he or she provides the income for at least two of the three major living expenses—food, clothing, and shelter. The terms consumer unit and household are used interchangeably throughout this article.

[7] Louise B. Russell, *The Baby Boom Generation and the Economy* (Washington, The Brookings Institution, 1982), p. 13.

[8] *Economic Report of the President* (Government Printing Office, 1992), table B-69.

[9] The health care component of expenditures was unusually large for households headed by persons 75 and older in 1980 due to a few large medical service expenditures. Average medical service expenditures for those 75 and older were $487 in 1981 and $447 in 1982. Therefore, medical services in 1980 were a larger portion of total expenditures than one might expect, but still a larger portion than health insurance. In 1981, total health care expenditures for those 75 and older was $1,037; health insurance was $388; 47

percent of total health care expenditures went to medical services, and 32 percent to health insurance.

[10] *Social Security Bulletin, Annual Statistical Supplement, 1991.*

[11] These estimates are presented at a quarterly rate—that is, they are the percent of consumer units reporting this type of expenditure in a 3-month period.

[12] See Geoffrey Paulin, "Consumer expenditures on travel, 1980–87," *Monthly Labor Review,* June 1990, pp. 56–60, for more information on travel expenditures.

[13] Food away from home includes meals at restaurants, board, catered affairs, school lunches, and meals as pay.

[14] Michael Hurd, "The Economic Status of the Elderly," *Science,* vol. 244, 1989, p. 659.

[15] *Handbook of Labor Statistics,* Bulletin 2340 (Bureau of Labor Statistics, August 1989), pp. 25–27.

[16] *Employment and Earnings,* January 1991, p. 164.

[17] See Murray Gendell and Jacob S. Siegel, "Trends in retirement age by sex, 1950–2005," *Monthly Labor Review,* July 1992, p. 22, for a more detailed discussion of these findings. Among other trends, Gendell and Siegel found that participation rates for men aged 65 to 69 fell from 28.5 percent in 1980 to 26 percent in 1990; those for women of comparable age rose from 15.1 percent to 17.0 percent. Among persons aged 70 to 74, men's rates dropped from 17.9 percent to 15.4 percent, while women of the same cohort increased participation rates from 7.5 percent to 15.4 percent. Men aged 75 and older decreased their participation rates from 8.8 to 7.1 percent, while their female counterparts increased theirs, from 2.5 to 2.7 percent.

[18] Data are from the Bureau of the Census. See "Single Years of Age—Poverty Status in 1990," March 1991, table 23; and "Single Years of Age—All Persons and Related Children Under 18 by Low-Income Status," March 1981, table S-1. Unpublished data.

[19] See Mark Weinstein, "The Changing Picture in Retiree Economics," *Statistical Bulletin* (Metropolitan Life Insurance), July–September 1988, p. 7.

A note on communications

The *Monthly Labor Review* welcomes communications that supplement, challenge, or expand on research published in its pages. To be considered for publication, communications should be factual and analytical, not polemical in tone. Communications should be addressed to the Editor-in-Chief, *Monthly Labor Review,* Bureau of Labor Statistics, U.S. Department of Labor, Washington, DC 20212.