Quantifying the Economic Impact of Social Security Benefit Spending

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Why This Research?

Social Security forms the foundation of retirement security in the U.S. The program provides vital benefits to older Americans, surviving spouses, children, and Americans with disabilities.

Social Security also has a powerful impact on the U.S. economy, but this is often overlooked in discussions about the future of the program. This research aims to draw attention to this economic impact by giving one estimate of the level of impact.

As debate about how to resolve Social Security's financing gap heats up in the coming years, it's important to remember that any changes to Social Security will have an effect on the U.S. economy.

Key Findings

In 2023 $1.38 trillion in Social Security benefits were paid to more than 67 million beneficiaries, including:

- more than $1 trillion to nearly 53 million retired worker beneficiaries;

- more than $154 billion to nearly 6 million survivor beneficiaries, including more than two million children;

- nearly $152 billion to more than 8.5 million disability beneficiaries.

Report available at: https://www.nirsonline.org/research/socialsecurityeconomicimpact/

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Key Findings, Continued

Expenditures made out of those payments collectively supported:
- 12.2 million American jobs that paid $804.6 billion in labor income;
- $2.6 trillion in total economic output nationwide;
- $1.6 trillion in value added (GDP);
- $363.1 billion in federal, state, and local tax revenue.

Social Security benefit expenditures have large multiplier effects. **Each dollar paid out in benefits supported $2 in total economic output nationally**, with the largest employment impacts occurring in the food services, healthcare, and retail trade sectors.

Research Methodology

This research used the software program IMPLAN to model the economic impact of the spending of Social Security benefit payments.

What is IMPLAN?

- Used to estimate impacts on: jobs, income, value added, total output, and tax revenue.

- An input-output modeling software and data package developed for a USDA Forest Service project, now used for many types of analysis.

- Represents relationships among various sectors in the economy as a matrix & estimates how an initial event reverberates through the economy.

Information on Social Security benefit payments came from publicly available data provided on the Social Security Administration's website. All data refers to benefit payments made in calendar year 2023 as this was the most recent year available for analysis within IMPLAN.

Social Security paid $1.4 trillion in benefits in 2023 to over 67 million people

Table 1: Social Security Benefits, 2023

	Total OASDI Beneficiaries	Total Retirement Beneficiaries	Total Survivor Beneficiaries	Total Disability Beneficiaries
Number of Beneficiaries	67,076,966	52,729,819	5,833,423	8,513,724
Total Benefit Payments	$1.4 trillion	$1.1 trillion	$154.5 billion	$151.8 billion
Median Monthly Benefit Amount		$1,853		$1,410

Median benefit amounts for some beneficiaries are based upon data provided by the Social Security Administration (SSA). No such data is provided for other categories of beneficiaries.

The Spending of Social Security Benefits Has a Broad Economic Impact

Table 2: Jobs and Labor Income

	Employment	Labor Income
Social Security Benefit Expenditures	12,212,475	$804,597,188,241

Table 3: Economic Output and Value Added

	Economic Output	Value Added (GDP)
Social Security Benefit Expenditures	$2,644,159,976,775	$1,577,031,308,638

The Spending of Social Security Benefits Generates Tax Revenues at Every Level of Government

Table 4: Local, State, and Federal Tax Revenue

	Local Tax	State Tax	Federal Tax	Total Tax
Social Security Benefit Expenditures	$72,970,959,778	$88,429,028,788	$201,737,260,553	$363,137,249,120

Social Security Benefits Support a Broad Set of Industries Across the U.S.

Top Industries Supported Include:
- Restaurants
- Retail
- Hospitals and Doctors' Offices

Table 5: Top Fifteen Industries by National Employment Impact

Industry	Total # Jobs Supported
Limited-service restaurants	594,119
Full-service restaurants	471,029
Other real estate	358,726
Hospitals	357,590
Retail - Food and beverage stores	308,921
Retail - General merchandise stores	307,636
Individual and family services	288,719
Offices of physicians	279,618
Employment services	256,312
Tenant-occupied housing	251,573
All other food and drinking places	236,742
Personal care services	197,031
Couriers and messengers	196,795
Nursing and community care facilities	191,811
Retail - Miscellaneous store retailers	189,617

Social Security Benefits Also Support a Variety of Occupations Across Industries

Top Occupations Supported Include:
- Retail Workers
- Restaurant Employees
- Medical Professionals

Table 6: Top Fifteen Occupation Categories by National Employment Impact

Occupation Category	Wage and Salary Employment	Wage and Salary Income	Supplements to Wages and Salaries	Total Employee Compensation	Hours Worked
Retail Sales Workers	693,630	$20,403,318,682	$4,288,329,456	$24,691,648,139	940,301,902
Food and Beverage Serving Workers	686,883	$16,128,568,427	$2,257,606,507	$18,386,174,933	753,992,431
Material Moving Workers	451,656	$19,374,820,127	$3,680,375,529	$23,055,195,656	752,586,027
Home Health and Personal Care Aides; and Nursing Assistants, Orderlies, and Psychiatric Aides	420,818	$12,662,298,215	$2,478,155,730	$15,140,453,945	664,663,689
Healthcare Diagnosing or Treating Practitioners	388,746	$50,729,278,158	$9,968,620,232	$60,697,898,390	714,552,804
Business Operations Specialists	347,227	$35,581,930,651	$6,137,112,315	$41,719,042,966	670,986,449
Information and Record Clerks	338,583	$16,544,123,589	$2,982,973,056	$19,527,096,645	561,833,880
Cooks and Food Preparation Workers	314,248	$8,949,631,918	$1,308,708,325	$10,258,340,244	427,452,863
Motor Vehicle Operators	260,908	$14,694,206,192	$3,083,166,770	$17,777,372,963	511,880,121
Top Executives	242,906	$36,749,108,809	$6,464,000,570	$43,213,109,379	520,805,367
Computer Occupations	213,972	$32,422,386,637	$5,263,016,296	$37,685,402,933	422,317,667
Building Cleaning and Pest Control Workers	225,386	$7,000,453,642	$1,192,500,588	$8,192,954,229	356,742,737
Health Technologists and Technicians	199,105	$11,418,401,629	$2,265,603,081	$13,684,004,710	352,822,435
Financial Specialists	186,892	$24,496,657,338	$4,058,290,381	$28,554,947,718	374,135,933
Secretaries and Administrative Assistants	178,330	$9,671,308,662	$1,727,796,316	$11,399,104,977	314,994,928

Reserve Depletion in the Social Security Trust Fund Threatens Benefit Cuts

Social Security built up a surplus in the Old Age and Survivors Insurance (OASI) trust fund for decades, largely to cover the retirement of the Baby Boomers. Social Security has been drawing on the reserves from the OASI trust fund since 2021 to make full benefit payments.

The latest projections from the Office of the Chief Actuary estimate that the reserves in the OASI trust fund will be depleted late in 2032. Congress could change the law and combine the OASI trust fund with the Disability Insurance (DI) trust fund and delay reserve depletion until 2034. This is what many people assume will happen.

If Congress does not act to resolve Social Security's financing gap, then reserve depletion of the combined OASDI trust fund would result in across-the-board benefit cuts of approximately 19 percent for all current and future beneficiaries.

A 19% Reduction in Social Security Benefits Would Reduce the Economic Impact by 16.5%

Table 10: Economic Impact of a 19% Reduction in Social Security Benefits

	Total Benefit Payments	Employment Impact	Labor Income Impact	Value Added (GDP) Impact	Economic Output Impact
Actual OASDI Benefits Paid - 2023	$1.4 trillion	12,212,475	$804,597,188,241	$1,577,031,308,638	$2,644,159,976,775
19% Reduction in 2023 OASDI Benefits	$1.1 trillion	10,203,906	$672,266,207,510	$1,317,659,162,222	$2,209,278,662,189

Social Security Also Has a Profound Economic Impact in Every State

Table 7: Employment and Labor Income Impacts, by State

	# Jobs	Labor Income		# Jobs	Labor Income
Alabama	143,501	$7.0 b	Montana	33,434	$1.8 b
Alaska	11,341	$697.1 m	Nebraska	48,284	$2.6 b
Arizona	208,504	$12.7 b	Nevada	68,202	$3.9 b
Arkansas	86,765	$4.2 b	New Hampshire	41,245	$2.8 b
California	730,036	$51.4 b	New Jersey	220,318	$15.1 b
Colorado	127,292	$8.2 b	New Mexico	51,548	$2.6 b
Connecticut	92,378	$6.4 b	New York	440,019	$31.7 b
Delaware	30,246	$1.7 b	North Carolina	298,970	$17.2 b
DC	6,495	$539.1 m	North Dakota	18130	$1.0 b
Florida	74,4401	$41.6 b	Ohio	345,928	$19.0 b
Georgia	27,3120	$14.9 b	Oklahoma	110,960	$5.7 b
Hawaii	32,619	$1.9 b	Oregon	120,452	$7.5 b
Idaho	50,539	$2.8 b	Pennsylvania	415,022	$25.7 b
Illinois	320,130	$20.4 b	Rhode Island	30,452	$1.8 b
Indiana	188,467	$10.8 b	South Carolina	159,846	$7.9 b
Iowa	86,667	$4.4 b	South Dakota	25,696	$1.4 b
Kansas	79,143	$4.4 b	Tennessee	210,819	$13.2 b
Kentucky	126,642	$6.9 b	Texas	676,630	$39.7 b
Louisiana	119,641	$5.8 b	Utah	63,467	$3.5 b
Maine	44,449	$2.5 b	Vermont	19,924	$1.1 b
Maryland	134,779	$7.9 b	Virginia	201,554	$11.6 b
Massachusetts	165,295	$12.5 b	Washington	156,913	$11.7 b
Michigan	322,986	$18.6 b	West Virginia	52,921	$2.7 b
Minnesota	168,582	$10.7 b	Wisconsin	181,775	$10.3 b
Mississippi	80,949	$3.5 b	Wyoming	12,653	$562.1 m
Missouri	186,259	$10.2 b			

Table 8: Total Value Added and Output Impacts, by State

	Value Added	Output		Value Added	Output
Alabama	$14.9 b	$24.8 b	Montana	$3.4 b	$5.7 b
Alaska	$1.4 b	$2.1 b	Nebraska	$5.5 b	$8.8 b
Arizona	$25.7 b	$41.1 b	Nevada	$8.5 b	$13.1 b
Arkansas	$9.0 b	$15.1 b	New Hampshire	$5.4 b	$8.2 b
California	$105.5 b	$159.9 b	New Jersey	$29.6 b	$44.7 b
Colorado	$16.4 b	$25.9 b	New Mexico	$5.5 b	$9.1 b
Connecticut	$13.0 b	$19.1 b	New York	$65.4 b	$94.0 b
Delaware	$3.7 b	$5.6 b	North Carolina	$34.6 b	$56.0 b
DC	$1.1 b	$1.5 b	North Dakota	$1.9 b	$3.2 b
Florida	$85.8 b	$140.1 b	Ohio	$39.0 b	$62.8 b
Georgia	$31.6 b	$50.4 b	Oklahoma	$11.7 b	$20.1 b
Hawaii	$4.2 b	$6.5 b	Oregon	$14.3 b	$22.4 b
Idaho	$5.6 b	$9.2 b	Pennsylvania	$48.8 b	$77.2 b
Illinois	$40.0 b	$62.6 b	Rhode Island	$3.7 b	$5.7 b
Indiana	$20.7 b	$33.5 b	South Carolina	$17.2 b	$27.9 b
Iowa	$9.2 b	$14.9 b	South Dakota	$2.7 b	$4.4 b
Kansas	$8.8 b	$14.7 b	Tennessee	$25.1 b	$40.2 b
Kentucky	$13.4 b	$22.3 b	Texas	$80.0 b	$132.0 b
Louisiana	$12.2 b	$20.3 b	Utah	$7.7 b	$12.5 b
Maine	$5.2 b	$8.2 b	Vermont	$2.3 b	$3.6 b
Maryland	$16.8 b	$25.7 b	Virginia	$25.0 b	$38.4 b
Massachusetts	$23.6 b	$35.1 b	Washington	$25.4 b	$37.6 b
Michigan	$35.9 b	$58.8 b	West Virginia	$5.5 b	$8.9 b
Minnesota	$20.4 b	$32.6 b	Wisconsin	$20.6 b	$33.3 b
Mississippi	$7.8 b	$13.5 b	Wyoming	$1.3 b	$2.2 b
Missouri	$20.2 b	$33.3 b			

State Fact Sheets Detail the Economic Impact of Social Security in Each State

State Fact Sheets Provide Information on Social Security in Each State

Florida	Total OASDI Beneficiaries	Total Retirement Beneficiaries	Total Survivor Beneficiaries	Total Disability Beneficiaries
Number of Beneficiaries	5,069,686	4,131,550	387,383	550,753
Total Benefit Payments	$104.4 billion	$83.8 billion	$10.5 billion	$10.2 billion
Median Monthly Benefit Amount		$1,839		$1,448

Median benefit amounts for some beneficiaries are based upon data provided by the Social Security Administration (SSA). No such data is provided for other categories of beneficiaries.
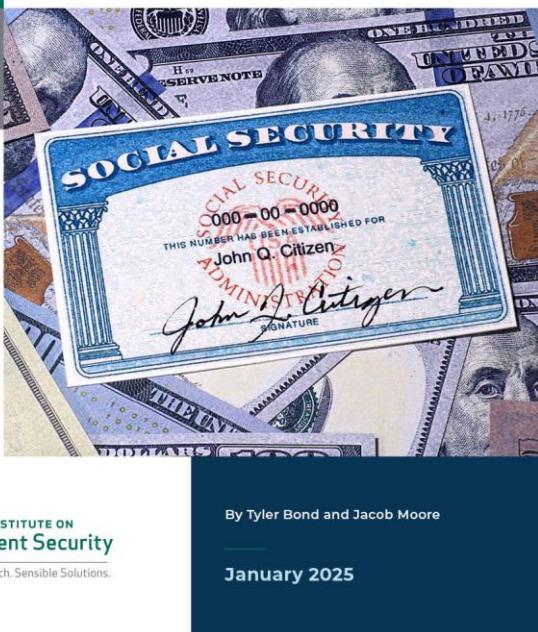
The Size of State Economies Plays a Role in the Impact of Social Security Benefits

California experienced the largest economic impacts from the spending of Social Security benefits, but this should be expected because California has the largest state economy in the nation. Social Security benefit spending supported nearly $160 billion in economic output in California in 2023.

Social Security benefit payments also are important in the economies of smaller states. In Florida, Michigan, and West Virginia, the number of jobs supported by the spending of Social Security benefits represented more than seven percent of that state's workforce.
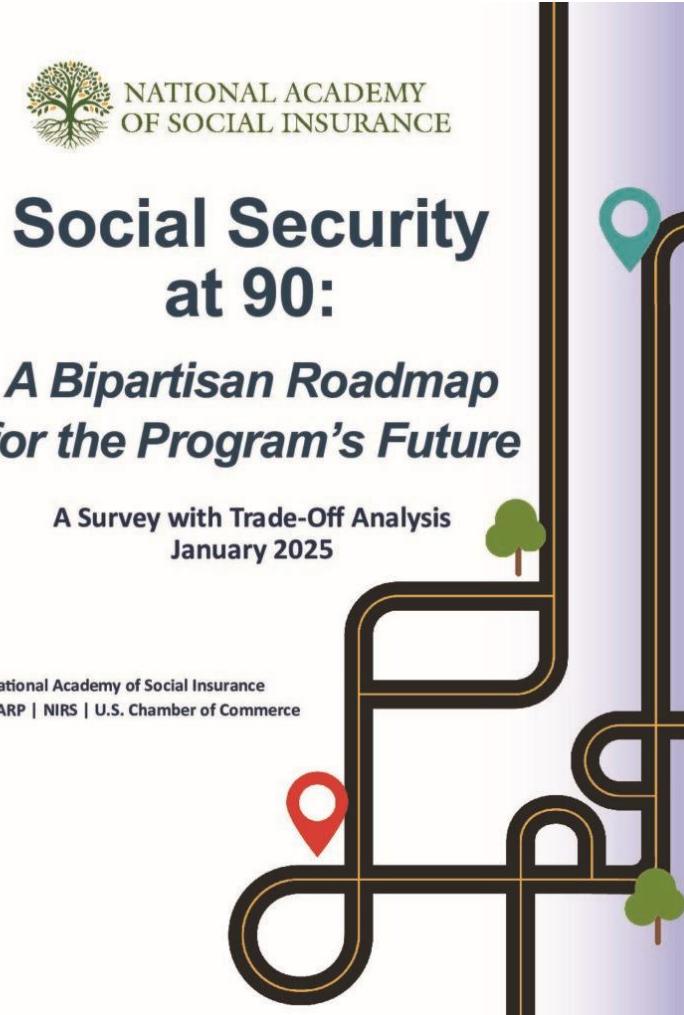
The state fact sheets detail the industries and occupations most impacted by the spending of Social Security benefits in each state. These are largely similar to the national findings: restaurants, retail, and healthcare providers.

Other Social Security Research from NIRS

Questions