

QUANTIFYING THE ECONOMIC IMPACT of Social Security Benefit Spending



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EXECUTIVE SUMMARY

Social Security provides the basis for economic security for millions of retired workers, surviving spouses, children, and Americans with disabilities. In addition to providing financial security in the lives of its beneficiaries, Social Security contributes to economic activity and growth throughout the U.S. Social Security benefits play a vital role in sustaining consumer demand that ultimately supports millions of jobs.

Virtually every state and local economy across the country benefits from the spending of Social Security benefit checks. For example, when a retiree in Wisconsin receives a Social Security benefit payment, they spend that money on goods and services in the local community. They purchase food, clothing, and medicine at local stores, and may even make larger purchases like a car or laptop computer. These purchases, combined with those of other retirees receiving their benefits, create a steady economic ripple effect. In short, Social Security benefit spending supports the economy and supports jobs where retirees reside and spend their benefits. Benefit expenditures may be especially vital to small or rural communities, where other steady sources of income may not be readily found if the local economy lacks a diverse economic base.

This study analyzes data on Social Security benefit expenditures to assess the overall national economic impact of benefits paid to retirees, survivors, disabled Americans, and other beneficiaries in 2023. It also analyzes these impacts at the state level for each of the 50 states and the District of Columbia. A detailed methodology is explained in the Technical Appendix.

The economic gains attributable to Social Security benefit expenditures are considerable. This study finds that, 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.

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.

INTRODUCTION: THE IMPORTANCE OF SOCIAL SECURITY

Social Security constitutes the foundation of retirement security in the United States. Ninety-seven percent of all older adults in the U.S. will receive Social Security benefits during retirement¹, and these benefits will account for nearly all retirement income for 14 percent of these older Americans.² Social Security benefits also are crucially important for surviving spouses, children, and Americans with disabilities.

Social Security is not just important in the lives of its beneficiaries. It is also an economic engine for the United States. Social Security is not a savings program like defined benefit and defined contribution retirement plans. The assets held in 401(k) plans, IRAs, and defined benefit pension plans total more than \$45 trillion, which are invested throughout the U.S. economy and support economic growth through that investment.³ Social Security, on the other hand, is a social insurance program in which those working and contributing to the program now support and sustain those collecting benefits now. This approach has at least two crucial, but often overlooked

benefits to the economy. First, Social Security benefits are countercyclical. That means Social Security benefits are paid consistently, even during economic downturns, which helps to sustain economic activity during weak economic periods. Second, the collective effort to support older adults through their Social Security benefits means current workers do not have to solely support parents and other elderly relatives, which enables spending of their earnings elsewhere in the economy.

The vital role that Social Security plays in the U.S. economy often goes unacknowledged. Every year more than \$1.2 trillion are contributed to Social Security by workers and their employers while more than \$1.3 trillion are paid out in benefits annually. These dollars cycle through the economy in the form of spending, and this spending has profound impacts throughout the economy in terms of jobs supported, economic output generated, and tax revenues produced. This report analyzes the economic impact of Social Security and offers one estimate of the importance of this social insurance program on the U.S. economy.

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.

DATA AND METHODOLOGY

This report examines the economic impact of Social Security benefits paid in 2023. The analysis relies upon data from the Social Security Administration (SSA) on the total number of benefits paid in 2023 both nationally and in all fifty states and Washington, DC.

To measure the economic impacts of expenditures made out of benefits paid by the SSA, the input-output modeling software, IMPLAN, was used. IMPLAN was first developed in the 1970s as part of a USDA Forest Service project to analyze the economic effects of local land management projects such

as timber, mining, and recreational activities. Since that time, IMPLAN has been used by industry and government analysts throughout the country to assess economic impacts of highly varied local community development projects.

A more detailed methodology can be found in the Technical Appendix.

ECONOMIC IMPACT MEASUREMENTS

This research analyzes the economic impact of expenditures made by beneficiaries out of their Social Security benefit payments along four dimensions: employment and labor income, output, value added, and tax revenues. Each is described in detail below.

1. Employment and Labor Income Impact: When retirees spend their Social Security checks, their expenditures help to support jobs—at the local diner, hospital, or even at a factory somewhere across the country. When a retiree makes a purchase, the money spent translates into business revenues, jobs, and income. Using IMPLAN, this analysis calculated the number of jobs supported by retirees' expenditures. The employment impact constitutes an estimate of “annual average jobs” within a single year. This research also presents estimates of labor income supported by Social Security expenditures, which is a component of value added, as described below.

2. Output Impact: Total output includes the value of all goods and services produced in the economy. Using IMPLAN, this analysis calculates the value of total output supported by retirees' expenditures of Social Security benefits.

This analysis also calculates a Social Security benefit expenditure multiplier. The Social Security benefit expenditure multiplier tells us the total economic impact attributable to each dollar in Social Security benefits paid to a beneficiary. (For example, a multiplier of 2.28 means that every \$1 paid to retirees in a local economy supports \$2.28 of total output in that region.) The analysis calculates the Social Security benefit expenditure multiplier by dividing

the total output generated by the value of the “initial event” in the economy (in this case, the total amount of Social Security benefits paid). Expenditure multipliers usually lie between 1.0 and 3.0.

3. Value Added Impact: Value added is a net estimate of the creation of “new value” in the economy. Commonly referred to as Gross Domestic Product (GDP), it includes the value of employee compensation, profits, rents, and other aspects of production, but excludes the costs of purchased materials and services. IMPLAN calculates the value added attributable to Social Security benefit expenditures.

4. Tax Impact: Economic activity of all kinds—receiving income from Social Security, earning wages, producing profits, selling goods and services—provides the basis for the tax revenues that are required to fund government services. To calculate the impact that Social Security benefit payments have on tax revenues, the analysis first estimates the amount of taxes paid by beneficiaries directly on their Social Security benefits. Then IMPLAN calculates estimates of taxes attributable to the economic activity that results when retirees spend their after-tax Social Security benefit checks, and in all subsequent rounds of spending. This includes all corporate, property, and business taxes that are generated through each spending round.

“Every dollar of Social Security benefits spent in the U.S. economy supports \$2 of economic activity.”

RESULTS: NATIONAL IMPACT OF SOCIAL SECURITY BENEFIT EXPENDITURES

Employment and Labor Income Impact

This analysis indicates that the nearly \$1.4 trillion of Social Security benefits paid in 2023 supported more than 12.2 million American jobs. These jobs collectively paid out an estimated \$804.6 billion in labor income. These jobs supported by the expenditure of Social Security benefits represented seven percent of the civilian labor force in the U.S. in 2023.

Total Economic Output Impact

This analysis also estimates that the expenditure of Social Security benefits generated total economic output of \$2.6 trillion. The Social Security benefit expenditure multiplier for 2023 in the U.S was 2.0, meaning every dollar paid out in Social Security benefits in that year generated \$2 of total output in the national economy.

Value Added (GDP) Impact

Furthermore, the expenditure of Social Security benefits contributed to overall value added (GDP) to the national economy of nearly \$1.6 trillion.

Tax Impact

The spending of Social Security benefits also generates tax revenues at the local, state, and federal levels. In 2023, Social

Security benefit expenditures resulted in \$73 billion of local tax revenues; \$88.4 billion of state tax revenues; and \$201.7 billion in federal tax revenues. This totals more than \$363 billion of tax revenues across the U.S. These tax revenues support critical public services relied upon by Social Security beneficiaries and every other American.

Economic Impacts by Industry and Occupation Category

Finally, the expenditure of Social Security benefits impacts nearly every industry and occupation category throughout the American economy. The industries most impacted in terms of the number of jobs supported include both limited-service and full-service restaurants, hospitals, retail stores, physicians' offices, and tenant-occupied housing. **Table 5** lists the top 15 industries by employment impact.

This analysis also breaks down the impact by employment category. Retail sales workers and food and beverage service workers are the two occupation categories most impacted by the spending of Social Security benefits. More than 693,000 retail sales workers and more than 686,000 food service workers were supported by Social Security benefit expenditures. These two categories of workers earned more than \$24 billion and \$18 billion, respectively, in employee compensation impacted by Social Security benefit spending. **Table 6** details the top 15 occupation categories by 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

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

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

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

MEASURING STATE-LEVEL ECONOMIC IMPACT OF SOCIAL SECURITY

Next, this analysis considers the specific economic impacts of Social Security benefit expenditures within each state, accounting for cross-state economic impacts.

The economic impacts for individual states are collectively smaller than the national impacts because state economies are smaller and less diverse than the national economy as a whole.

The smaller and more homogeneous a local economy is, the smaller the economic impacts will tend to be for that economy. This is because economic impact analysis, based on local production and purchasing patterns, accounts for economic benefits that leave the state. The economic benefit “lost” to other states or countries is called leakage.

However, because there is an interest in assessing the economic impacts of Social Security benefits nationally, i.e., across all states, this analysis employs an approach that accounts for the fact that one state’s “loss” is often another state’s “gain.” The analysis accounts for a significant share of the leakage caused by interstate commerce by utilizing a Multi-Regional Input-Output (MRIO) analysis for each of the fifty states and the District of Columbia.

For example, if a consumer in the state of Alabama purchases a new lawnmower, that purchase is broken

down into its various components of production: the engineers and designers, the parts manufacturers, and the retail salesperson all receive a portion of the revenue from that sale. Because the lawnmower was purchased within Alabama, the portion of output due the retailer will certainly be added to Alabama’s total output. If the lawnmower was designed in Michigan and manufactured in Ohio, however, output from these services would not be included in Alabama’s total output, because they were not performed within the state of Alabama, but in those of Michigan and Ohio, respectively.

Because most individual state economies are not as diverse as the U.S. economy as a whole, the state-level impacts resulting from this analysis—focused on measuring economic benefits at the state rather than national level—will be smaller than the national impacts. However, whenever all of the services in any single transaction are performed by firms and workers in the U.S., they are accounted for in the national economic impacts.

Thus, each state’s total economic impacts consist of net in-state impacts (attributable to Social Security benefit expenditures originating in the state) and net out-of-state impacts (attributable to Social Security benefit expenditures originating from any of the other states). For more information, see the Technical Appendix.

RESULTS: STATE-LEVEL IMPACT OF SOCIAL SECURITY BENEFIT EXPENDITURES

While this model does not fully capture all of the state-level economic impact, the results show that every state gained substantial economic benefit from the spending of Social Security benefits.

The following series of charts and tables provide the key state-level results of the economic impact analysis. Not

surprisingly, the state of California—with the largest economy of the 50 states—showed the largest employment, output, and value added impacts: 730,036 jobs that paid \$51.4 billion in labor income, \$159.9 billion in output, and \$105.5 billion in value added to the economy supported by Social Security benefit expenditures. But even in smaller states, the economic impacts of Social Security benefits are substantial.

The impact of Social Security benefit expenditures shows up in measures beyond just dollars and cents. For example, in Florida, West Virginia, and Michigan, more than seven

percent of each state's labor force is supported by the spending of Social Security benefits via the employment impact.

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			

Table 9: Tax Impacts, by State

	State and Local	Federal	Total
Alabama	\$1.7 b	\$1.7 b	\$3.5 b
Alaska	\$107.6 m	\$156.8 m	\$264.3 m
Arizona	\$2.5 b	\$3.2 b	\$5.7 b
Arkansas	\$1.1 b	\$1.1 b	\$2.2 b
California	\$12.5 b	\$13.4	\$25.8 b
Colorado	\$1.7 b	\$2.0 b	\$3.7 b
Connecticut	\$1.6 b	\$1.7 b	\$3.3 b
Delaware	\$335.9 m	\$411.6 m	\$747.5 m
DC	\$107.0 m	\$106.0 m	\$213.0 m
Florida	\$8.6 b	\$11.2 b	\$19.8 b
Georgia	\$3.2 b	\$3.8 b	\$6.9 b
Hawaii	\$559.2 m	\$465.5 m	\$1.0 b
Idaho	\$630.9 m	\$694.5 m	\$1.3 b
Illinois	\$4.8 b	\$5.0 b	\$9.8 b
Indiana	\$2.2 b	\$2.5 b	\$4.7 b
Iowa	\$980.4 m	\$1.1 b	\$2.0 b
Kansas	\$1.0 b	\$1.1 b	\$2.1 b
Kentucky	\$1.5 b	\$1.6 b	\$3.1 b
Louisiana	\$1.5 b	\$1.4 b	\$2.9 b
Maine	\$646.5 m	\$637.9 m	\$1.3 b
Maryland	\$2.1 b	\$1.9 b	\$4.0 b
Massachusetts	\$2.2 b	\$3.1 b	\$5.3 b
Michigan	\$3.7 b	\$4.6 b	\$8.3 b
Minnesota	\$2.3 b	\$2.5 b	\$4.8 b
Mississippi	\$1.0 b	\$876.4 m	\$1.9 b
Missouri	\$1.9 b	\$2.4 b	\$4.4 b

	State and Local	Federal	Total
Montana	\$303.0 m	\$450.3 m	\$753.3 m
Nebraska	\$505.8 m	\$639.0 m	\$1.1 b
Nevada	\$901.7 m	\$1.1 b	\$2.0 b
New Hampshire	\$484.1 m	\$706.1 m	\$1.2 b
New Jersey	\$3.7 b	\$3.8 b	\$7.6 b
New Mexico	\$668.6 m	\$631.6 m	\$1.3 b
New York	\$8.6 b	\$8.1 b	\$16.7 b
North Carolina	\$3.3 b	\$4.2 b	\$7.5 b
North Dakota	\$116.6 m	\$233.9 m	\$350.6 m
Ohio	\$4.0 b	\$4.6 b	\$8.7 b
Oklahoma	\$1.2 b	\$1.3 b	\$2.5 b
Oregon	\$1.4 b	\$1.9 b	\$3.3 b
Pennsylvania	\$5.1 b	\$6.2 b	\$11.3 b
Rhode Island	\$436.5 m	\$460.7 m	\$897.2 m
South Carolina	\$2.0 b	\$2.1 b	\$4.1 b
South Dakota	\$220.1 m	\$325.1 m	\$545.2 m
Tennessee	\$2.6 b	\$3.1 b	\$5.8 b
Texas	\$7.5 b	\$9.4 b	\$16.9 b
Utah	\$756.5 m	\$906.5 m	\$1.7 b
Vermont	\$294.3 m	\$274.3 m	\$568.6 m
Virginia	\$2.9 b	\$2.9 b	\$5.8 b
Washington	\$2.7 b	\$3.2 b	\$5.9 b
West Virginia	\$640.2 m	\$627.4 m	\$1.3 b
Wisconsin	\$2.2 b	\$2.5 b	\$4.7 b
Wyoming	\$139.5 m	\$156.1 m	\$295.6 m

ESTIMATING THE ECONOMIC IMPACT OF SOCIAL SECURITY BENEFIT CUTS

Social Security faces a financing gap. Social Security collected more in contributions than it paid out in benefits for years, and these surplus revenues were set aside in the Old Age and Survivors' Insurance (OASI) trust fund to pay for anticipated higher future benefit payments. In 2010, Social Security began paying more in benefits than it collected in contributions and in 2021, it began drawing down on the reserves in the trust fund to meet its full benefit obligations.

If no action is taken by Congress and the current Social Security program rules remain in place, then the Social Security trustees estimate that the OASI trust fund reserves will be exhausted in 2033.⁴ Social Security would continue to pay benefits financed by ongoing contributions, but those benefits would be reduced from scheduled amounts because the surplus revenues in the trust fund would no longer make up the difference resulting from the financing gap. If the trust fund reserve depletion comes to pass and across-the-board benefit cuts are enacted, then the latest trustees' report estimates there would be a 23 percent reduction in benefits for all OASI beneficiaries.⁵

The SSA operates two separate trust funds: one for the OASI program and one for the Disability Insurance (DI) program. These are legally separate trust funds and cannot be combined (or comingled) without a change in the law, so the OASI trust fund could become exhausted while the DI trust fund would continue to hold surplus revenues. However, many expect Congress would combine the two trust funds to delay, albeit briefly, the date of trust fund reserve exhaustion and to reduce the amount of benefit reduction that would have to occur in the event of trust fund depletion. If the two trust funds were combined, then the latest estimates are that the exhaustion date of the combined OASDI trust fund would be 2034 and the resulting across-the-board benefit cut would be 19 percent.⁶

While there has been much discussion about whether or not Congress would allow across-the-board benefit cuts to occur, there has been little analysis of what the impact would be if these benefit cuts were implemented. This report includes one estimate of what the impact to the economy might be.

No one knows what the U.S. economy will be like in 2033. It could be demonstrating remarkable strength and resilience as it has in the first half of 2025 or it could be plunged into a recession as in 2008. Therefore, attempting to estimate the economic impact of across-the-board benefit cuts in an unknowable economy nearly a decade into the future is ill-advised. Instead, this analysis creates a hypothetical scenario in which the benefit cuts took place in 2023, rather than a decade later.

This hypothetical scenario is constructed in the following way. The total amount of OASDI benefits (which assumes the two trust funds are combined) that were paid in 2023 were reduced by 19 percent and then that smaller amount of benefits was modeled through IMPLAN. This hypothetical scenario does not reflect the reality of the benefits that actually were paid in 2023, but it gives one estimate of what the economic impact might be in 2033 if across-the-board benefit cuts are allowed to occur.

In this hypothetical scenario, the smaller amount of OASDI benefits would have resulted in an economic impact that is 16.45 percent lower than what was actually generated in 2023. Social Security still has a positive economic impact even with hypothetical benefit cuts, but that positive economic impact is reduced. Along with the total economic output being lower, the total number of jobs supported (10,203,906) and the labor income earned through those jobs (\$672.3 billion) also are reduced. This means the value added (GDP) to the U.S. economy is smaller as a result of hypothetical across-the-board benefit cuts than if benefits were fully paid as scheduled - only \$1.3 trillion in the benefit cut scenario, compared to \$1.6 trillion with full benefits paid in 2023.

Table 10 shows the reduced economic impact resulting from hypothetical benefit cuts. It shows the actual amounts of OASDI benefits that were paid in 2023, the reduced amounts of those benefits from the hypothetical benefit cuts, and the lower levels of economic impact resulting from the benefit cuts.

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

CONCLUSION

Social Security forms the foundation of retirement security in the U.S. and, as such, plays a vital role in the economic security of its beneficiaries. Additionally, Social Security has a robust impact on the broader American economy as this report shows. Discussions around the future of Social Security and how to resolve the financing gap facing the program tend to focus on the impact on individuals participating in Social Security or the role of the program in the larger federal budget outlook. Few analyses have considered the broader impact of Social Security directly on the American economy.

The analysis discussed in this report showed that in pure dollars and cents terms, Social Security doubles its economic impact. Every dollar paid out in benefits supports \$2 in economic activity. This supports more than 12 million jobs and adds nearly \$1.6 trillion in GDP to the U.S. economy.

As policymakers, advocates, and everyday Americans continue to discuss and debate the future of Social Security, they would do well to keep in mind the economic impact that any changes to the program would have.

TECHNICAL APPENDIX

This study uses IMPLAN, an input-output modeling software and data package, to estimate the economic impacts of benefits paid by Social Security. IMPLAN was first developed in the 1970s as part of a USDA Forest Service project to analyze the economic effects of local land management projects such as timber, mining, and recreation activities. Since that time, IMPLAN has been used by industry and government analysts throughout the country to assess economic impacts of highly varied local community development projects.

IMPLAN is an input-output model that uses a matrix to represent the economy of a region in order to estimate the effect of events occurring in a single industry or institution on all other industries, as well as consumers, government, and foreign suppliers to the economy. IMPLAN uses a Social Accounting Matrix (SAM), which captures all the industry and institution transactions in the local area; subsections of a SAM describe various structures and functions of a local economy. The SAM describes a local economy in terms of the flow of dollars from purchasers to producers within a region, while also accounting for non-industrial transactions such as payment of taxes by businesses and households. This offers a better portrayal of the household income effect portion of local economic events than other models.

This analysis inputs Social Security benefit payments as a “household income” impact, which takes into account different household income brackets, but not the differences between working-age households and retirees. The IMPLAN model contains its own assumptions about the tax rates paid by households at various income levels. To more accurately reflect the tax rate that is likely paid by Social Security beneficiaries, this analysis adjusts the tax rate assumption used in the model, following data produced by the Urban-Brookings Tax Policy Center.

We first calculate what we believe to be the more accurate level of disposable income for Social Security beneficiaries as described above. We then must remove IMPLAN’s embedded assumptions about disposable income by finding the tax and savings rates within each state’s Social Accounting Matrix. We divide the sum of these figures by the totals for each social account, and thereby obtain the percentage of taxation and savings that is assumed. We add this percentage of money back into the benefit payments for each state before inputting it into the IMPLAN model.

National and state-by-state IMPLAN data for 2023 were used, as this corresponded with the SSA data on OASDI benefit payments, for which 2023 was the most recently available.

IMPLAN estimates household spending patterns by income class. This analysis assumes the household income range is between \$40,000 and \$50,000. Social Security beneficiaries, both retirees and non-retirees, span the range of household incomes from the poor to the wealthy. However, for the purpose of making an assumption for this analysis, \$40-50K seemed like an appropriate midpoint for two reasons. First, it corresponds with the income range used in Pensionomics, a report in which the economic impact of pension benefit payments is estimated following a similar methodology to this report. Second, research from the Center on Budget and Policy Priorities found the median senior household had annual income of \$44,000.

Not all the economic benefits stay in the same state in which Social Security benefit dollars are originally spent. One state’s “leakage” is another state’s inflow, and since this analysis is concerned with measuring the economic impact of Social Security benefits, regardless of where they were originally spent, we also need to account for the economic impacts of these benefits across state lines. We are able to account for the economic effects flowing out of one state and into another by utilizing a Multi-Regional Input-Output Analysis (MRIO). For example, to determine the economic impacts of \$1 million in Alabama’s Social Security benefit payments that may flow to the state of Alaska, we set up an MRIO analysis of Alabama’s benefit payments between Alabama and Alaska. Thus, we are able to recapture some of any single state’s economic leakage due to interstate commerce. Additionally, the resulting economic activity in Alaska may spill over or leak into California, and so on and so forth.

Finally, this analysis does not include every dollar in benefits paid by the Social Security Administration in 2023. The total amount of OASDI benefit payments in 2023 exceeded \$1.379 trillion, but that amount includes payments made to beneficiaries living in U.S. territories and abroad. IMPLAN is not able to model the economic impact of those benefit payments spent by beneficiaries residing outside the fifty states and DC. Therefore, only benefit payments made in the fifty states and DC are included in the analysis, which totals \$1.358 trillion.

ENDNOTES

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The National Institute on Retirement Security is a non-profit research and education organization established to contribute to informed policymaking by fostering a deep understanding of the value of retirement security to employees, employers, and the economy as a whole.

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Through our activities, NIRS seeks to encourage the development of public policies that enhance retirement security in America. Our vision is one of a retirement system that simultaneously meets the needs of employers, employees, and the public interest. That is, one where:

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