

# Improving the Status of the Aged

by **WILBUR J. COHEN\***

**POVERTY, OF COURSE,** is an ancient enemy of mankind. But this generation is distinguished from past generations in that it is committed to conquering the enemy, not coexisting with it. The American people have assumed the responsibility for wiping out this social illness.

In a nation where the gross national product has been moving upward at a rate of \$35 to \$50 billion dollars a year and is expected to exceed \$1,000 billion within the next several years, the economic capacity to cope with the problem successfully does exist.

The war on poverty can be won if we accelerate the efforts already begun. Since 1930, the extent of poverty has been reduced from more than 40 percent of our population to less than 20 percent. By the midseventies this figure can be brought down to 10 percent and within the following decade we can, if we make plans now, virtually eliminate poverty. Whatever we do to accomplish this goal will improve the status of the aged population generally since about 16 percent of the poor are the aged.

To make progress toward this goal we must plan for the proper mobilization and use of our resources and we must continually evaluate and reevaluate the effectiveness of our allocation of these resources.

## **RECENT PROGRESS**

The American Nation is enjoying a period of unprecedented prosperity. Today the economy provides, for the great majority of Americans goods and services and advantages that in past years were enjoyed only by the wealthy minority. The indicators of overall progress are clear. Median family income has reached a new high. The educational attainment of the general population has risen. With the introduction of new programs to improve the quality and availability of health services, the health of the American people is improving. We have also started new programs to offer social and economic opportunities and to

assure equal opportunity to those who in the past have been denied their rights. Existing and well-tested programs have been expanded and strengthened to help us reach the goal of improving each and every American's life.

## **SITUATION OF THE PRESENT AGED**

The aged have shared in the benefits from these unprecedented gains. The median income of all our aged families reached \$3,460 in 1965. Last year the total income of all older persons was over \$40 billion a year. Nearly a third of all aged couples had assets (not including the value of their home) of \$10,000 or more.

Although fewer than 1 in 5 of the elderly are still working, earnings are the largest single source of income for the aged population. About 90 percent of the 19 million older people have some retirement protection. Eighty-five percent are eligible for social security benefits, and about 75 percent are actually getting them. Another 5 percent are protected under civil-service or railroad retirement systems. This is a remarkable gain over the situation 25 years ago, when only 10 percent of the aged were receiving any kind of retirement benefit.

If we consider only those who reached age 65 in 1965, instead of all those aged 65 and over, we find that about 92 percent were eligible for social security benefits and about 97 percent were covered under some kind of public retirement program. About 15 percent of the aged are drawing private pensions.

Virtually all the 19 million aged now have the health insurance protection provided under the new Medicare program, which will help to relieve them and their children of a major part of the financial burden of illness in old age. The new medical assistance program (title XIX of the Social Security Act), also provided by the 1965 amendments to the Act, will help ensure that the necessary medical and remedial care and services are available to the needy aged whose income or resources are not sufficient to pay for medical care.

\*Under Secretary of Health, Education, and Welfare.

In February 1966, Congress amended the Social Security Act to provide monthly social security payments (\$35 a month for an individual, \$52.50 for a couple) for persons aged 72 or over who had previously not been eligible for insurance benefits because they did not meet the work requirements. The cost of these benefits for people who do not have at least 3 quarters of coverage under the program is met out of general revenues. For people with 3 or more quarters of coverage the cost is paid out of the program's old-age and survivors insurance trust fund.

With the extension of the social security program to cover almost all workers, the proportion of the aged who must ask for public assistance to meet their basic needs has declined over the years. Since 1950, the percentage of the aged getting assistance has declined from 22 percent to 11 percent and the proportion who have their social security benefits supplemented by old-age assistance has also declined. Without the income provided to older people by the social security program, the old-age assistance rolls would probably be three or four times the present size, with a yearly cost of \$8-\$10 billion, instead of the present \$2 billion.

The social security program, of course, does much more than merely reduce the need for public assistance. By serving as a base on which people can add through savings and other retirement income, it also helps many of the aged live comfortably in retirement.

It is too soon to assess the full impact of the new Medicare and other social security improvements as well as related new programs that will benefit the aged. They are nevertheless of great significance.

## POVERTY PROFILE

Unfortunately there are still many who are poor. Poverty can be defined in many ways and there is still disagreement over how to define it and how to measure it. Nevertheless, we can agree that the cost of bare subsistence can be computed. The difficulties lie in answering the more complex questions. What is a minimum acceptable level of living in a society like ours where people expect more than mere subsistence? How does one take into consideration the effect of such variables as

age, family size, geographic location, living arrangements, and rising standards of living, in general?

Answering these questions involves very controversial areas. And who is considered poor, of course, depends on the answers to these questions.

One of the more widely accepted measures of poverty has been developed by the Social Security Administration. The Social Security Administration's poverty index is based on a minimum food budget and uses a concept of equivalent levels of living for families of different types, including variables such as age, size and family composition, and city or rural residence.<sup>1</sup> Under this measure, there are about 34 million Americans—15 million children and 19 million adults—or about one-fifth of the Nation's population living in poverty. They make up 12 million families, or 1 out of every 5 families in the country.

We cannot view these figures with any degree of complacency, yet there has been considerable improvement in recent years. Since 1959, the percentage of our population that is poor has been reduced from 22 percent to 18 percent—a decline of 13 percent in the poverty rate. Among the aged, the poverty rate has declined by 8 percent since 1959.

## THE PRESENT INCOME GAP

How poor are those we say are living in poverty? How much money would it take to raise the income of these poverty-stricken people above the level of want and despair? Today it would take about \$11.7 billion to bring the 34 million poor to a level where they could buy the basic needs for daily living. This amount is about 2 percent of the Nation's personal income, which totaled \$495 billion in 1964. To meet the income deficit of the aged poor would take about \$2.2 billion. More than half this deficit (\$1.3 billion) would be accounted for by people aged 72 and over.

If we count an estimated 700,000 aged persons in institutions and another 1.8 million aged poor who are living in families that are not poor, the income deficit would go up to about \$4.0 billion.

<sup>1</sup> See Mollie Orshansky, "Recounting the Poor: A Five-Year Review," *Social Security Bulletin*, April 1966.

Again, more than half this deficit (\$2.6 billion) could be attributed to those aged 72 and over.

The problems of poverty cannot, of course, be solved by money alone. Besides a regular income, the poor need more and better services for their noneconomic needs: Education, health services, training, housing, and certain other services that will aid in promoting self-help and motivating those now dependent to achieve independence.

## THE AGED POOR

A significant proportion of this Nation's poor are aged (16 percent), and a large proportion of the aged are poor (31 percent). In the concentrated and many-faceted campaign against poverty in the United States, chief reliance must be placed, so far as the aged are concerned, on those programs that can be improved to provide adequate income for those who can no longer work because of advanced age or poor health. A regular income is by no means a guarantee of satisfactory living in old age, but it is indeed a prerequisite for a good life. Without sufficient income the older person cannot have the security of knowing that he is not a burden on his children or others.

The needs of the aged are as varied and important as those of any other group. Many of them are widows, few are in the labor force, and the benefits they do get under the public income-maintenance programs are not an adequate replacement for wages.

Of the 5.4 million aged poor, about 30 percent live in the central cities and another 20 percent live outside the central city but still in the metropolitan area. The remaining 50 percent live in nonmetropolitan areas, and about 14 percent of these people live on a farm.

Most of the aged poor are white, even though the chances of being poor are greater for an older Negro. About half the aged poor—white and non-white alike—are in metropolitan areas, but, as one might expect, more of the nonwhite aged poor live in the central city.

The aged poor, of course, have little in the way of assets because most of them found it impossible to lay aside something for their old age at the same time meet their daily living expenses, educate and rear their children, and perhaps care for their own aged parents or other relatives. Except

for the equity in their own homes, about one-fourth have no assets or less than \$1,000. About one-sixth of all older couples have no assets of any kind, or practically none.

## Sources of Income for the Aged

Earnings make up a very small share of the income of the aged poor. In 1964, earnings accounted for about one-sixth of the total income of all aged poor families, contrasted with about one-half the total income for all other aged families. Although all the aged receive only a small share (5 percent) of all wages and salaries paid in the United States, those who do have earnings are certainly better off than those who do not.

Three-fourths of all the aged now receive social security benefits, and for many this is the chief source of income they can count on. They are the only source of income for roughly a third of all poor aged beneficiary families and for half of all the aged poor beneficiaries living alone. At least one-fourth of the income of all families with an aged head comes from social security benefits. Among the aged poor, these benefits made up at least 35 percent of their total income in 1964. Significantly, more than one fourth of all benefits paid out to aged households under the program went to a poor household.

Social security benefits are crucial to the independence of the aged. Their striking importance is illustrated by the fact that, in 1965, only a fourth of all aged social security beneficiaries would have been above the poverty level of the Social Security Administration index whether or not they were receiving benefits; 35 percent of the aged beneficiaries were counted poor despite their benefits, but for 38 percent the benefits meant they could be counted among the nonpoor. Even those whom social security could not protect completely against poverty were better off than the poor who received no social security payments at all. Half the aged poor receiving social security benefits needed less than \$500 to rise out of poverty, but three-fourths of the poor non-beneficiaries could not have made it with \$500.

Under various amendments to the Social Security Act, coverage extensions have brought more people under the protection of the program, eligibility requirements have been liberalized, and the average amount of benefits has been increased.

Among other important results of these changes, more elderly women (a significantly large group) and elderly Negroes now are getting social security benefits. The program has helped many of the elderly to move out of dire poverty and made the plight of those remaining less severe. Though the improvements made in the social security program have helped reduce the numbers of those living in poverty from one-third of all aged couples in 1959 to one-fifth in 1964, important changes are needed to keep pace with changes in the economy.

The aged are more likely than younger people to receive support from other public programs such as the veterans' programs and public assistance. All older families derived a sizable portion (one-fourth) of their money income from sources other than social security or earnings. For the aged poor, more than half this additional income came primarily from public assistance.

One out of 8 families with an aged head received public assistance, but two-thirds of these families also receive social security benefits. Among the aged poor families, a fourth received public assistance and over one-half of these recipients were social security beneficiaries.

Today only a little more than 2.5 million people have income from private pension plans. By 1980, over 6 million, or one-fourth of the aged population, may be receiving pensions under these plans that will supplement their social security benefits.

The growth in private pension plans has been phenomenal over the past 20 years. Many of these plans, of course, probably would not have come into being if the social security program did not exist, since many employers might have been unwilling or unable to afford the cost of setting up plans that would do the whole job of providing income security in old age.

## **REDUCING THE INCIDENCE OF POVERTY**

There are encouraging signs that the reasons for the high incidence of poverty in old age in the past, and even today, may be diminishing in importance and that the incidence can be substantially reduced in the future. Although it is true that poverty in old age reflects low current earning capacity, it is also evident that many of the aged poor are poor now because they were not able to put enough aside for their old age while

they were working, and rearing and educating their children. Many of the aged are poor because they had to use up what savings they did have to pay catastrophic medical bills. Very few have had income from private pensions. And of course some who are now poor always have been poor. They have often been unemployed or worked for low wages.

A number of recent developments should help remedy these situations. Medicare will help to ease the financial burden of ill health, not only for the aged but also for many children who, in the past, had to use up their savings to pay their parents' medical bills. Expanded scholarship and loan programs will make it easier for middle-income people to see their children through college and will also enable them to build up savings for their retirement.

Recognizing that it is almost impossible to design preventive measures that anticipate all the problems of reducing poverty, we must design solutions that are flexible. We can expect changes in existing programs for the aged that will both take care of gaps and inadequacies existing today and anticipate tomorrow's new circumstances and new goals. For one thing, we know that the man or woman who retires today may still be living and relying primarily on his social security benefits 10, 20, or 30 years from now—a situation that has important social as well as economic consequences.

The positive changes that have given older people greater independence as well as improved stature as family members and as members of the community have also had some negative effects. Although improvements in social security benefits have enabled more of the aged to maintain their own households, many of them can maintain their independence only on the borderline of poverty. Yet what is important is the fact that many more elderly persons in 1964 than in earlier years had enough money to try getting along by themselves instead of sharing a home with a child (or other relatives) in a household with combined income more nearly adequate for all.

## **A BLUEPRINT FOR ACTION FOR THE AGED**

There are encouraging signs that we can expect the aged to be in a better financial position in the future. It is most urgent, however, that addi-

tional measures be taken to provide for the aged who are poor today and to explore the possibilities of other innovations and strategies to prevent those who are now young from being poor when they get older.

The following elements should be incorporated in a comprehensive blueprint for action for the aged:

- A decent income in retirement through improved Social Security benefits, private pension plans, home ownership, and opportunities to save during their working years.
- The best health care that modern medical science can provide—based only on medical need and not on income status.
- Adequate and appropriate housing at a price they can afford.
- A complete range of services to restore those who require institutional care to an active and meaningful life.
- The opportunity to work and to continue to contribute skills and knowledge earned over a lifetime.
- Opportunities to participate in a wide range of leisure-time activities—recreation, culture, friendships, and continuing education.
- A full range of conveniently located and accessible community services.
- Closing of the gap between the discovery of modern medical miracles and their application as life-saving techniques.
- Freedom of choice and independence in deciding what they wish to do with their lives in a healthy, dynamic, and improving society.

The initial steps for putting this blueprint into action were taken by President Johnson when he announced on October 12, 1966, that he would recommend to the Congress in 1967 major changes in the social security program. He plans to recommend:

- (1) An average increase in social security benefits of at least 10 percent.
- (2) A minimum monthly benefit of \$100 for every worker who worked in jobs covered by the program for at least 25 years.
- (3) An increase in the amount of earnings permitted a social security beneficiary.
- (4) The extension of Medicare to the more than one million disabled social security beneficiaries.

In announcing these proposals the President also said:

We presently consider these four proposals the minimum toward a more modern and a more realistic

social security system. Again, I emphasize the minimum. We will have other suggestions and proposals in the draft.

I will recommend ways to finance them so that the system will always remain actuarially sound. In addition, I have requested the distinguished Secretary, Mr. Gardner, and the very able Governor, Farris Bryant, who is on my White House staff, to head a special task force to develop a truly modern program, the latest in nursing home construction for every State in this Union.

I have asked them to call on the most modern and most imaginative architects in this land, and other experts, to begin making plans for nursing homes that are especially designed for our older people so that they can live their lives in places of beauty and comfort.

The program will call for Federal, State, local, and private participation in this exciting new enterprise for the benefit of older Americans.

Today I call upon each Governor, each major, each preacher, and each teacher to go about him and look at the nursing homes where our elder citizens are now spending their last days. Some of them are a national, State, and local disgrace and ought to be closed.

Although the objective of the social security program is not solely the reduction of poverty, it could be used to a much greater extent to reduce poverty. The level of social security benefits is the key, in my opinion, to determining how fast the number of aged poor will decline.

It is true that improvements in cash benefits in recent years have not quite kept the benefits up to date in terms of purchasing power. The 7-percent increase in 1965 fell short of restoring the 1958 purchasing power of the benefits and the 1958 increase of about 7½ percent had fallen slightly short of restoring the 1954 level. Those on the social security rolls throughout this period have not shared in the Nation's rising level of living.

For most workers, some additional improvements in the cash benefits would be sufficient to keep them out of poverty. It is, of course, recognized that there will always be some people who for one reason or another may require public assistance. We must not fail to meet their needs adequately. More services need to be provided for the aged, but they are not substitutes for adequate allowances for food, clothing and shelter. Needs must be met adequately not only in terms of the amount of assistance but also in terms of availability for those who require it. Residence and other restrictive eligibility requirements are a barrier to meeting need wherever it exists.

Comprehensive social services must be available to all citizens who wish to use them. And they must be available when and where the people need them—through social service community centers, for example. Many of the aged require specialized services. Many of the aged are infirm, isolated and poor and are out of touch with families and the community. Deterioration, both physical and mental, that is associated with old age could be reduced by the provision of services directed toward the aged. Recreation, health services, satisfactory living arrangements, and opportunities for continuing education and creative activities must be provided. Old age can be a time of enjoyment with many rich rewards in terms of self-fulfillment.

Another area in which much more could be done is in provision of adequate housing for the aged. Many of the aged live in one-room walk-ups, shabby hotels, old lodging houses, or isolated farmhouses. Much of this housing is unsafe, unhealthy, and rat-infested. Rents take about one-third of their total income. Much could be done to improve the housing situation of the aged. The recently enacted Rent Supplement Act should help to provide decent housing for our older citizens. But even more could be done.

As a condition for the approval of a State old-age assistance plan, for example, each State might be required to establish and designate a State agency to be responsible for maintaining standards of health and safety in housing rented to recipients of old-age assistance. Such a requirement would provide an essential safeguard for the living arrangements of a highly vulnerable group—the needy aged. The demonstration cities program will provide needed services to the aged, and to other groups in the community.

Much could also be done to strengthen coordination and cooperation between Federal, State, and local governments and private and voluntary groups in the provision of services for the aged.

Improvements in the social security program, in housing, and in other services for the aged can be made within the immediate future. But for many individuals their war on poverty is a life-long struggle. In the long run, more opportunities must be afforded for all persons to accumulate financial assets and tangible goods over their lifetime. The continuing economic growth of our

Nation should make it possible for each employable individual to work at a decent wage and maintain a reasonable standard of living. He should be able to build up income security for his retirement through the social security program and pension plans and through cash savings and other assets. He should be afforded this opportunity throughout his lifetime so that he is not automatically assigned to the poverty rolls when he reaches old age.

Coordinated programs—both public and private—that provide essential health services, education, housing, recreation, welfare, transportation, and public facilities are needed.

Opportunities should also be provided for improved social and economic mobility of all our citizens, with efforts directed toward increasing their potential to rise above minimum standards of income. There is a compelling urgency to provide each person an adequate level of living and a way in which he may climb without hindrance of discrimination or lack of equal opportunity as high as his aspirations and capacity for achievement may take him.

## CONCLUSION

The Nation is committed to the goal of eliminating poverty. Whatever definition of poverty is used, a significant proportion of the Nation's poor are aged and a large proportion of the aged are poor, and only through improvements in their economic status can we make progress toward our national goal of reducing and eventually eliminating poverty. Although "sufficient" income to assure an adequate level of living is a prerequisite for a comfortable life in old age, it is not an absolute guarantee. For the aged, like the rest of us, have needs beyond those that can be met by money. Our aged citizens must also have the opportunity of meeting those needs that can assure a full and meaningful life for them.

Our objective is to improve the quality of each and every American's life and to extend his ability to choose and his freedom to choose the direction of his life. The elimination of poverty among the aged is one of the first steps in this direction, for the welfare of the aged is inextricably interwoven with the welfare of all other Americans.