

The Needs of the Aged in Relation to Need Among Other Groups

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THE PASSAGE of the Social Security Act was public recognition of the fact that the aged constitute a large and needy part of our dependent groups. It does not follow, however, that the aged persons still outside the provisions of the act constitute the largest or most needy group remaining in our dependent population. In considering what further legislation needs to be enacted, it is imperative that careful analysis be given to the present economic status of the aged in relation to other needy groups.

At the present time it is estimated that there are about 14.2 million persons aged 60 and over, of whom 9.2 million are aged 65 and over. While many of the aged still unprovided for are needy, it is frequently assumed that all aged persons are needy. As a matter of fact, many of the individuals with the highest incomes and the largest amounts of wealth or savings are to be found in the higher age groups.

Moreover, the 1940 census indicated that 3.7 million persons aged 60 and over were still employed in March of last year, and this number has probably increased to over 4 million at the present time.

In addition, at the present time more than three-fourths of a million individuals have been retired upon Federal pensions: 371,000 on veterans' allowances, 30,000 on military pay, 56,000 on civil-service retirement, the Foreign Service, Canal Zone, Alaska Railroad, Coast and Geodetic Survey, and the smaller Federal retirement systems, 145,000 on railroad retirement, and 220,000 on Federal old-age insurance benefits.

Approximately 50,000 persons have been retired on State pensions and 60,000 on municipal pensions. Private industrial pensions provide for 120,000 retired workers, trade-union pensions for 13,000, and other private pensions for an additional 40,000.

The number of aged with insurance and annuity

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contracts in their own right is substantially in excess of one-half million, and this does not include approximately 250,000 with insurance who are living with relatives to whom the policies will be paid upon their death.

Altogether it has been estimated that about 1.7 million persons are retired on pensions or annuities. The number of persons in receipt of such pensions or annuities is constantly increasing.

Most of the persons still working or retired on pensions are men, and 1.5-1.7 million of them are married to wives aged 60 and over. This is a fact which is frequently forgotten. Oftentimes these women are considered as being dependent along with persons dependent upon charity or public aid. These persons, under our present economic system, should be considered as being in the same economic group as their husbands. It is also estimated that 20-25 percent of the aged have made some provision for their old age through savings. After making due allowance for overlapping with the groups mentioned above, it still appears that there are 8.5-9.5 million aged persons with independent means of support.

Of the remaining 5.0-5.5 million aged who are dependent upon resources other than their own, it is known that 2.2 million are recipients of public assistance, while an additional 800,000 are in institutions or in receipt of private or public aid. Figures on the remaining 2.0-2.5 million aged are uncertain. Some have miscellaneous means of subsistence or are dependent upon friends and relatives, approximately 100,000 are on the public assistance waiting lists, and others are undoubtedly in need of public assistance. It is this residual group which most needs consideration at the present time.

Another picture of the economic situation of the aged can be gotten from the family composition study made by the Social Security Board on the basis of information obtained in the National Health Survey, which was conducted by the United States Public Health Service in the winter of 1935-36. The income of some 520,000 house-

holds consisting of only one family indicated, for a 12-month period during 1934 to 1936, the following per capita incomes for persons of different ages:

<i>Age</i>	<i>Amount</i>
All ages.....	\$431
Under 16 years.....	287
16-24 years.....	371
25-44 years.....	486
45-59 years.....	564
60-64 years.....	627
65 years and over.....	601

The study shows that these persons aged 60-64, as a group, are members of families receiving the highest per capita income, followed by persons aged 65 and over. The families included in this analysis exclude aged persons who live with their married children.¹

There is, therefore, good reason for believing that the aged persons as a group receive more than an average share of the national income or that they are members of families securing more than an average share. In general, children stand out as the neediest element and the group for which the Social Security Act is doing less than for any other segment of the population, considering their relative needs.

Existing Unmet Needs of Other Dependent Groups

In addition to aged persons who are still in need, there are other needy groups in our population who require consideration. The dependent widow and child, the permanently disabled, the unemployed, the sick, and other unemployables deserve treatment equal to that accorded the needy aged. Therefore, available financial resources must be carefully apportioned with due regard to all unmet needs.

The Dependent Widow and Child

As I have already pointed out, the per capita income of families with children under 16 is lower than any other age group in the population. The White House Conference on Children in a Democracy reported to the President in 1940 that as many as two-thirds of the children in American cities live in homes where the family income is less

¹ For information on all families, which is similar, see Sanders, Darkov S., "Economic Status of the Aged in Urban Households," *Social Security Bulletin*, Vol. 3, No. 10 (October 1940), pp. 13-20.

than sufficient for a "maintenance level of living." These children are our citizens of tomorrow and should receive adequate food, clothing, shelter, and other services necessary to proper development for their responsibilities as men and women.

It is estimated that at the present time there are 6 million widows in the United States of whom about 60 percent or 3.5 million are under the age of 65. Each year 400,000 women become widows. Each year 220,000 children under the age of 16 become orphans because of the death of their fathers.

At the present time there are probably 2 million children under the age of 18 who are fatherless. An additional 3 million children live in homes in which the father is absent for some reason. These 5 million fatherless children live in families with about 9 million additional related persons. These families are usually the neediest in the community. Frequently, there is no employable member in the household. Often the widow must seek employment to the neglect of the health and welfare of the children. The result is usually more costly to society in the long run. The estimate of 5 million fatherless children given above does not include children deprived of paternal support because of the mental or physical disability of the father when he is a member of the household.

More than 900,000 children are already receiving aid to dependent children under title IV of the Social Security Act. However, an additional 1.5 million children are in need of such aid and would be eligible for assistance under existing legislation if the funds were available. The average amount now paid per child is only about \$10 per month when allowance is made for the mother or other caretaker of the child. If the dependent child were to receive as much as the aged person at the present time the average payment would be doubled to about \$20. In other words, aid to dependent children could be more than doubled in terms of the number to be aided and then doubled again if assistance as adequate as that given the aged were to be given to needy children.

Unemployment

There is no need to review the experience of the last decade with respect to unemployment. We are still making large expenditures to combat

unemployment through the Work Projects Administration, Civilian Conservation Corps, National Youth Administration, unemployment insurance, general relief, and other programs. What many people frequently forget, however, is that even in good times there are probably 2.0 million to 2.5 million persons unemployed. Even at peak performance, our present economic system seems to require that an average of at least that number of persons is unemployed because of seasonal factors, technological changes, inventory, repair of equipment, bankruptcy, and similar reasons.

At the present time our unemployment insurance benefits are inadequate. In many States the waiting period is much too long. Frequently an unemployed worker does not receive his first payment until the fifth or sixth week of unemployment. The amount of benefits is also inadequate. Payments in some cases have been as low as \$2 and \$3 per week. But the most significant inadequacy of the present laws is the very short duration of benefits. Last year over one-half of all workers receiving benefits in the United States were still unemployed when they exhausted all their benefit rights. In one State over 80 percent of the workers exhausted their benefits. In some States the maximum duration of benefits has been 2 or 3 weeks for some individuals. An individual may receive a few dollars per week for only a very few weeks after a 3-week waiting period and a further delay of 1 or 2 weeks for administrative reasons.

The amounts now paid are admittedly low in relation to the need. Unemployment benefits compare very unfavorably with workmen's compensation benefits, which are also not adequate in many respects. There is no doubt that the existing benefits must be made more nearly adequate if we are to achieve the objective of unemployment insurance as a real first line of defense in meeting the ever-present problem of unemployment.

At the present time unemployment insurance benefits are financed through a 3-percent pay-roll tax on employers. However, it is probable that in the long run 3 percent will be insufficient to pay adequate unemployment insurance benefits. We know that unemployment will again be with us when this emergency is over and when many readjustments will take place. It is not too soon to consider this problem and the cost and other aspects involved.

Temporary Disability and Medical Care

There is a striking paradox in our provisions for insurance against wage loss during unemployment: if a worker becomes ill during a spell of unemployment, his benefits stop, just at the time when he needs them most. Sickness is one of the most important causes of dependency. On an average day in the year 7 million persons are disabled. Social insurance can be applied to the problem of sickness as it already has been applied in the case of unemployment, old age, and death. Cash benefits to persons who are unemployed because of sickness should be made a counterpart of the cash benefits paid to persons who are unemployed because of business conditions.

Temporary disability benefits as generous as those under any of our State unemployment compensation systems could be provided at a cost which would probably amount to less than 1 percent of taxable pay rolls. Unfortunately, compensation for wage loss from nonindustrial disability would not completely solve the problem of those who are sick or temporarily disabled. Wage loss represents only about a third or fourth of the total cost of ill health to workers and their families. Our system of social insurance should furnish not only protection against the wage loss due to nonindustrial disability but also protection against the costs of medical care involved. A reasonably adequate system of medical care would cost between 4 percent and 5 percent of pay rolls, in addition to the 1 percent needed for temporary disability benefits, the 6 percent needed for old-age, survivors, and disability insurance, and the 3 percent needed for unemployment insurance.

In connection with the problem of medical care, it is significant that many men examined for military service have been rejected because of physical defects. The lack of proper medical care reaps a heavy toll in terms of our national security. Many of the defects of these men are remediable, and a concerted program of governmental action would repay many times the cost.

Permanent Disability

Permanent total disability is a major risk against which our present social security program provides no insurance protection. On an average day in the year, about 2.5 million persons are found to be suffering from disabilities that have lasted more than a year. Almost a third of these

are persons who, but for their disability, would be engaged in productive work.

A substantial proportion of the chronic disability prevalent today is merely premature old age, and the incidence of disability increases rapidly among the higher age groups. It is significant that, with the single exception of Spain, every other country in the world which has an old-age insurance program has also made provision for insurance against chronic or permanent total disability. Thus the United States is almost alone among the great nations of the world in insisting that a worker who becomes disabled at 50 or 60—from causes, in many cases, which are the same as those which impel us to provide retirement pensions—must wait until he reaches 65 to receive insurance benefits.

Protection against permanent total disability could be added to the protection now offered under our old-age and survivors insurance system. Such benefits would eventually cost \$500 million to \$1 billion a year. These are large sums, but the need exists and consideration must be given to meeting this need. The permanently disabled are perhaps the most unfortunate of the needy group. A sound system of social insurance providing benefits for the disabled would be both humanitarian and economical in the long run.

Goal of Comprehensive Insurance Protection

The two social insurance programs have just got under way. Remarkable progress has been made in a few short years in getting these programs established. Now we must take the necessary steps to strengthen and expand them. We have managed to cope effectively with the most difficult administrative problems involved in the first years of operation, and there now exists an administrative foundation in this country capable of supporting the task of a broader and more comprehensive social insurance system.

Our eventual goal should be the establishment of a well-rounded system of social insurance to provide at least a minimum security to individuals and their families deprived of a livelihood through unemployment, sickness, disability, old age, and death. In addition, we must provide a series of constructive social services to supplement the cash aids provided under social insurance.

Even though our social insurance programs provided protection against all the economic hazards

to which wage earners in general are subject, there would still be groups of the population for whom special public assistance, based on need, would be essential. It is for that reason that it is necessary to have a program of general relief to provide for those persons who are not cared for by other programs.

General Relief

The most conspicuous weakness in our present provisions for public assistance is the failure of the Federal Government to aid the States in meeting the costs of their residual relief burdens. There are wide variations in the extent to which the States provide for the needs of their aged, blind, and dependent children, but the disparities are even more pronounced in the case of assistance to needy persons who do not fall within any of these special categories.

About 5 million families are receiving some form of public aid. About a fourth of these families are dependent upon what has come to be known as general relief, which is financed for the most part out of local funds and in a few States by State funds as well. The average amount paid per family is only \$25 per month or only about \$8 per person. It is obvious, therefore, that this group is greatly in need of more adequate assistance. Since the average payment to the needy aged is more than \$20 per month, much remains to be done before this group attains the level of assistance to the aged.

More than half the families dependent on general relief do not include a person who is employable even under favorable employment conditions. Even with the general increase in employment which is anticipated during the next few years, the States and localities will still have a very large general relief burden.

The Federal Government should establish a system of grants-in-aid for general relief along the lines of those for the special types of public assistance. Such a system should not be regarded as a substitute for the Federal work programs. On the contrary, such a system should be helpful in making work programs more effective since it would reduce the necessity to distort work programs to meet the needs of persons who can best be cared for through direct assistance.

A system of Federal grants to the States for general relief would probably cost the Federal

Government initially \$200-\$300 million a year. During periods of depression this cost would probably be doubled or trebled. Since the persons on general relief are so inadequately cared for at the present time, it would appear that any available funds should be expended on their behalf.

Summary

In considering various proposals for aid to the aged and to other needy groups, consideration must be given to the existing situation with respect to the income received by others in the population. Frequent mention has been made concerning proposals to pay aged persons a flat rate per month regardless of need. The smallest amount usually proposed is \$30 a month, yet this amount is more than the monthly per capita income of the inhabitants of 13 States. These 13 States are: Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, New Mexico, North Carolina, North Dakota, Oklahoma, South Carolina, South Dakota, and Tennessee. In other words, the payment of \$30 a month to some groups in the community would be more than the income of many other groups who receive their incomes from gainful employment. Moreover, there are 20 percent of the earners of this country who receive less than \$30 per month; this figure varies from 15 percent in the New England area to 30 percent in the Southern area. Under these circumstances any flat amount would be inequitable as between various individuals and as between various States.

Unfortunately, it must be recognized that at the present time our economic system cannot supply all the wants for all our people. The only way all of us can live better is under arrangements whereby our economic system will produce an increased amount of goods and services and will also provide the necessary income to buy those goods and services. There are many needs today which must be met. Each need must be balanced against other needs.

At present there are about 13 million persons in the United States still in receipt of some form of public relief. In addition, there are about 30 million persons in the low-income groups who are only a little better off than those who are dependent upon public aid. Thus, probably nearly 45 million persons are ill-housed, ill-clad, and ill-fed. Their incomes are so low that they cannot afford

to buy sufficient quantities of goods, the necessary clothing, medical services, or other needs.

In conclusion, I would like to restate the underlying purposes to be served by a program of payments to the aged and the considerations involved in carrying out these purposes. The first and obvious purpose—a purpose which requires emphasis because it is so often neglected—is to reduce the hazards of dependency in old age by providing to the aged a recurring stable source of income which would permit them to maintain a level of living on an assured and secure basis. Variations in amount of payment and insecurity in the receipt thereof tend not only to disrupt the lives of those dependent on such payments but also to offset in large measure the beneficial economic consequences which may be anticipated from a program of old-age protection.

The second purpose of such a program is to aid in achieving general economic stability and in enhancing employment opportunities. In whatever measure economic well-being of the Nation as a whole may be achieved through a program of protection of the aged, this purpose should be pursued. Essentially the welfare of the aged, as well as other groups of our population, is dependent upon the level of economic activity and of national income. In the long run, any proposals which may adversely affect the level of economic activity and of the national income will not be in the interest of the aged or any other group.

There are certain considerations, frequently overlooked, which are essential to any improved program for the aged. Perhaps the most important of these factors is the increasing number of aged and the anticipated rise in the proportions of aged in the total population. The population aged 65 and over, estimated at 9 million, or 6.8 percent of the population in 1940, is expected to rise to 11 million within a decade and to more than 22 million, or 14-16 percent of the total population, by 1980. The number of persons aged 60 and over is expected to increase from 14 million to 31 million in the next 40 years. Whatever mechanisms are adopted for the protection of those now aged must be adaptable to the problems of the future. Those entering their productive life at present require assurance that at the close of their working life, provision for their retirement will be no less adequate than that afforded the present aged.

The second consideration that is often overlooked is the fact that income levels and cost of living vary considerably from region to region and from urban to rural areas. No single fixed sum would provide similar real protection to the aged in the different sections of the country. While a given amount may be adequate to maintain prior levels of living in one region of the United States, it will be out of line in terms of prevailing income levels and cost of living in another, thus making this same sum inadequate to provide for the minimum basic needs in some areas and more than enough to meet the same minimum needs in other areas.

One reason for regional and individual differences arises from the fact that not all incomes can be measured in monetary terms. There are still large numbers of the population whose incomes are received partly in kind, and much income of

this type does not end suddenly with old age as do cash wages.

The present program gives full weight to both the essential factors just mentioned. The insurance program takes account of the growth in the aged population by developing rights to specified benefits through contributions from individuals in all age groups and by a system of financing designed to provide adequate funds to meet disbursements both in the immediate period and in the long-time future. Both the assistance and insurance programs take full account of regional and individual differences in need and apply objective yardsticks to measure these differences—in the case of old-age assistance by the locally devised and locally applied tests of need and in the case of old-age insurance by relating benefits to wage loss due to retirement from gainful employment.