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# Commentary: Economic Status of the Aged

By Ida C. Merriam\*

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When, in 1937, President Roosevelt spoke of one-third of a Nation ill-fed, ill-clothed, and ill-housed, there was little disagreement with this count and its assessment of the general situation. The development of policies and programs to improve the economic status of the population required more detailed and solidly based numbers.

It is sometimes forgotten how little national economic and social data were in existence in the early 1930's. A few States and some large cities had collected information about their aged population and/or dependent children, and the Committee on Economic Security drew on these studies in its reports and recommendations, but the data could be little more than suggestive for the Nation as a whole.

The first great expansion in data relating to the economic status of the aged came from the operation of the new Social Security programs. First in time was the information from the public assistance programs. The Social Security Act provided that one condition for the States to receive Federal monies should be that they would collect and make available to the Social Security Board the statistics needed for sound program administration. A basic set of national program data thus became available for recipients of public assistance.

(Within a few years, a similar requirement in the unemployment compensation provisions resulted in national data on persons drawing unemployment benefits.) In the case of Old-Age and Survivors Insurance (OASI), of course, program data were on a national basis, with wage record data available from 1937 and benefit data from 1940, when benefits became payable.

There was no question as to the vulnerable status of the aged and the Social Security Board initially focused on helping States and localities meet the immediate needs of the aged and shifting the method of support from the poorhouse to the provision of cash income. More important for the future was the necessity of building a system of insurance protection that would provide income security when earnings stopped. The development of policies and legislative recommendations in both programs led to a growing demand for information about the current economic situation of aged persons.

The March 1938 **Social Security Bulletin** carried an article, "Economic Status of the Aged," that brought together bits of information from a variety of sources in an attempt to find what proportion of the population aged 65 or older was independent and what proportion was dependent on others.<sup>1</sup> The

distinction was largely subjective, and many of the figures used were one-time ad hoc data or estimates. Although the article attracted considerable attention, it did not provide a usable framework for further analysis, nor was it possible to update many of the figures.

Over the next two decades, several statistical series were developed and data published regularly in the **Social Security Bulletin** filled in important parts of the picture of the economic status of the aged. The source of income became recognized as one significant indicator: Receipt of public assistance clearly indicated low income; receipt of OASI benefits could mean a wide range of total income but it did signal steady and continuing income. The number of aged persons receiving Civil Service annuities, railroad retirement pensions, or veterans' benefits could also be derived from operating statistics. Over a period of several years, Social Security Administration (SSA) staff worked with staff in other agencies to get the figures on a common basis. What was not available at this stage was the overlap—the number of aged persons with income from more than one source. Within SSA, the reports from State public assistance agencies began to provide a count of the number of assistance recipients who were also receiving OASI benefits. For a number of years, the **Social Security Bulletin** regularly published tables showing both

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\*The commentator was the Assistant Commissioner for Research and Statistics, Social Security Administration, until her retirement in 1972.

<sup>1</sup>Marjorie Shearon, "Economic Status of the Aged," **Social Security Bulletin**, March 1938, pages 5-16.

the percent of assistance recipients who were beneficiaries and the percent of Social Security beneficiaries who also received assistance, both figures of importance for policy analysis. The data now appear in the **Annual Statistical Supplement to the Social Security Bulletin**.

Beginning in 1950, the **Bulletin** also carried a semiannual Note and a table showing the total number of persons aged 65 or older, the number with earnings from employment, the number with OASI benefits or other public pensions, and the estimated number receiving private pensions. The question of the extent to which private pensions were received by and supplemented the income of some Social Security beneficiaries could be answered only tentatively until actual survey data became available.

Similar tabulations of the income sources of orphaned children and their widowed mothers, published at less frequent intervals, more quickly showed the impact of the Social Security program because insured status for the life insurance features of the program was based on current, not lifetime employment. It was impossible to develop similar indicators for disabled persons in the absence of agreement on the appropriate definition of disability.<sup>2</sup>

Interest in the series on income sources of the aged was sustained, and a repeated

demand for updated figures was stimulated by the rapidly changing situation of the aged as a group. The planned expansion of coverage and the gradual maturation of the basic social insurance system were major factors. At the end of 1940, some 23 percent of the aged population received public assistance, and only a handful had qualified for old-age benefits. By 1945, of all persons aged 65 or older, 8 percent were receiving OASI benefits; by 1950, 18 percent were OASI beneficiaries. The proportion of this population receiving Old-Age Assistance (OAA) payments was close to or more than 20 percent during this same period. By 1955, the situation had changed dramatically as a result of the coverage extensions included in the 1950 amendments and the continuing maturation of the program: Just under 40 percent were receiving OASI benefits and the number of OAA recipients had dropped slightly to 18 percent.

Today, more than 90 percent of all aged persons receive Social Security cash benefits and an additional number who are not currently retired are eligible for Medicare coverage. The 1972 amendments dropped Federal grants to States for Old-Age Assistance and adopted a national program of Supplemental Security Income (SSI). In December 1987, 5 percent of Social Security beneficiaries aged 65 or older were also receiving SSI payments. The Social Security system has become what it was intended to be—the basic source of income for aged persons—and the questions now concern the level of basic income support, the extent of supplementation from other public and private programs, and the special needs

and total income position of different groups of beneficiaries.

The article by Jacob Fisher reprinted on the following pages marks a transition from a time when the growth in the number of OASI beneficiaries was noteworthy in itself to a period when attention focused more sharply on the circumstances and degree of economic security of those beneficiaries and of all aged persons. Since 1940, SSA had conducted exploratory field surveys of Social Security beneficiaries in selected localities.<sup>3</sup> The resultant data gave some idea of the spread of total income and the economic circumstances of different types of beneficiaries. The data could not answer the larger question concerning the extent to which the Social Security program was providing appropriate income security to the entire aged population. Census data for the entire population were becoming increasingly rich in information, but the samples were too small to permit significant detail specifically for those aged 65 or older.

The Fisher article showed how much could be learned by careful analysis of available data from diverse sources; such analysis provided clues about the changing status of the aged relative to that of the population as a whole. The advent of World War II had kept many older workers in employment longer than originally projected; inflation during the war and postwar years cut the real value of OASI benefits drastically, and the 1950 amendments did not quite restore their original purchasing power.

<sup>2</sup>This problem was resolved with the 1966 Survey of the Disabled Population. See Lawrence D. Haber, "Identifying The Disabled: Concepts and Methods in the Measurement of Disability" (reprinted from December 1967 **Social Security Bulletin**), **Social Security Bulletin**, May 1988, pages 11-28.

<sup>3</sup>Edna C. Wentworth, "Resources of Aged Insurance Beneficiaries: 1951 National Survey," **Social Security Bulletin**, August 1952, pages 3-6.

**Table M-26.—SSI: Number of persons receiving State-administered supplementation only, total amount, and average payment, by reason for eligibility and State, June 1988<sup>1</sup>**

State	Number				Total amount (in thousands)				Average payment			
	Total	Aged	Blind	Disabled	Total	Aged	Blind	Disabled	Total	Aged	Blind	Disabled
Total .....	<sup>2</sup> 72,596	27,707	462	42,624	<sup>2</sup> \$12,487	\$3,966	\$94	\$7,888	<sup>2</sup> \$172.01	\$143.16	\$203.53	\$185.05
Alabama .....	1,710	1,223	5	482	57	41	(3)	16	33.36	33.59	(4)	32.77
Alaska <sup>5</sup> .....	325	99	...	226	27	13	...	14	83.45	127.70	...	64.07
Arizona .....	5,959	5,538	5	416	915	826	1	88	153.53	149.09	245.00	211.47
Connecticut .....	17,058	6,063	100	10,895	4,478	1,397	22	3,058	262.49	230.38	224.07	280.72
Florida <sup>7</sup> .....	538	261	...	277	55	25	...	30	101.36	94.57	...	107.75
Idaho <sup>6</sup> .....	24,583	1,139	47	23,397	3,568	117	5	3,446	145.12	102.43	109.06	147.27
Illinois .....	1,572	1,124	4	444	229	166	1	63	145.66	147.63	134.25	140.77
Indiana .....	1,803	(5)	(5)	(5)	<sup>2</sup> 539	(5)	(5)	(5)	<sup>2</sup> 299.16	(5)	(5)	(5)
Kentucky .....	2,504	663	22	1,819	796	163	6	627	318.05	246.35	280.95	344.62
Maryland .....	1,899	1,326	84	489	103	53	25	25	54.12	40.04	295.26	50.89
Minnesota .....	1,257	475	14	768	142	31	1	110	113.15	64.97	97.43	143.23
Missouri .....	3,972	2,876	51	1,045	957	686	16	255	240.94	238.64	306.35	244.08
Nebraska .....	...	...	...	...	...	...	...	...	...	...	...	...
Nevada .....	...	...	...	...	...	...	...	...	...	...	...	...
New Mexico <sup>7</sup> .....	6,981	5,252	19	1,710	241	179	1	62	34.59	34.09	37.32	36.12
New York .....	2,435	1,668	111	656	381	270	16	94	156.28	162.09	143.15	143.73
North Carolina .....	...	...	...	...	...	...	...	...	...	...	...	...
North Dakota <sup>7</sup> .....	...	...	...	...	...	...	...	...	...	...	...	...
Oklahoma .....	...	...	...	...	...	...	...	...	...	...	...	...
Oregon .....	...	...	...	...	...	...	...	...	...	...	...	...
South Carolina <sup>7</sup> .....	...	...	...	...	...	...	...	...	...	...	...	...
Texas .....	...	...	...	...	...	...	...	...	...	...	...	...
Utah <sup>7</sup> .....	...	...	...	...	...	...	...	...	...	...	...	...
Virginia .....	...	...	...	...	...	...	...	...	...	...	...	...
Washington .....	...	...	...	...	...	...	...	...	...	...	...	...
West Virginia .....	...	...	...	...	...	...	...	...	...	...	...	...
Wisconsin .....	...	...	...	...	...	...	...	...	...	...	...	...
Wyoming <sup>7</sup> .....	...	...	...	...	...	...	...	...	...	...	...	...

<sup>1</sup> Data reported to the Social Security Administration by individual States. All data subject to revision. Excludes data for optional and mandatory programs in New Hampshire, South Dakota, and Virginia; for optional programs in Missouri and North Dakota.

<sup>2</sup> Includes data not distributed by reason for eligibility.

<sup>3</sup> Less than \$500.

<sup>4</sup> Not computed on base of less than \$500.

<sup>5</sup> Data not available.

<sup>6</sup> Estimated data.

<sup>7</sup> No persons receiving State supplementation only.

CONTACT: Joyce Jordan (301) 965-9852 for further information.

## Commentary

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It became increasingly important to ask about the net effect of these and other changes.

Using Census data on average earnings and medical income, program data on average benefits and assistance payments, and Consumer Price Index figures, and converting all the figures to index numbers, Fisher concluded that while the income of the average aged person with income had increased from 1945 to 1952, it had increased less than income for persons of all ages. With the data at hand, he was able to suggest, but not to explore or describe in detail, a

variety of possible causal or related factors. He was not able to assess the extent and importance of variations around the average.

In stretching toward the limits of what could be learned from available data, the Fisher article (followed by several others published in the *Bulletin* in the 1950's using later figures and newly available data<sup>4</sup>) pointed up

the urgent need for actual surveys of the aged population if we were to have information increasingly essential to informed policymaking. Such surveys became and remain an important part of the SSA research program.<sup>5</sup>

<sup>4</sup>See, for example, Lenore A. Epstein, "Money Income of Aged Persons: A 10-Year Review, 1948 to 1958," *Social Security Bulletin*, June 1959, pages 3-11.

<sup>5</sup>See Sally R. Sherman, "Commentary: Survey Research in Social Security," *Social Security Bulletin*, March 1988, page 8.