

# ECONOMICS OF AGING: TOWARD A FULL SHARE IN ABUNDANCE

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HEARINGS  
BEFORE THE  
SPECIAL COMMITTEE ON AGING  
UNITED STATES SENATE  
NINETY-FIRST CONGRESS  
SECOND SESSION

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PART 11—CONCLUDING HEARING  
WASHINGTON, D.C.

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MAY 4, 5, AND 6, 1970



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  - Part 11. Concluding Hearing, Washington, D.C., May 4, 5, and 6, 1970

## CONTENTS

	Page
Opening statement of Senator Harrison A. Williams, Jr., chairman, Special Committee on Aging.....	1751
Statement of Senator Jennings Randolph, committee member.....	1767
Statement of Senator Vance Hartke, committee member.....	1809
Statement of Senator Edward M. Kennedy, committee member.....	1888
Statement of Senator Edmund S. Muskie, committee member.....	1898

### CHRONOLOGICAL LIST OF WITNESSES

#### MAY 4, 1970

Cruikshank, Nelson, president, National Council of Senior Citizens.....	1755
Flores, Brian, business representative, local 35, Washington-Baltimore Newspaper Guild.....	1763
Piccolo, Mrs. Josephine, community service representative, Greater Washington Central Labor Union.....	1764
Hazel, John, business representative, local 2, Office and Professional Employees International Union.....	1764
Richardson, Ronald, executive secretary, local 75, bartenders union.....	1766
Cohen, Hon. Wilbur J., dean, School of Education, University of Michigan.....	1780

#### MAY 5, 1970

Koontz, Elizabeth Duncan, director, Women's Bureau, U.S. Department of Labor.....	1803
Carstenson, Blue A., director, Rural Man-Power, Green Thumb and Senior Member Programs, National Farmers Union.....	1811
Goode, Ken.....	1820
Hayner, Miss Helen, Antigo, Wis.....	1828
Baker, Earl.....	1830
Crosby, John, Wheatland, Pa.....	1832
Bashan Alex.....	1834
Nash, Bernard E., executive director, National Retired Teachers Association and the American Association of Retired Persons.....	1836
Brickfield, Cyril F., legislative counsel.....	1836
Hughes, Peter W., legislative representative.....	1936
Sykes, Robert F., legislative representative.....	1836

#### MAY 6, 1970

Martin, Hon. John B., Commissioner, Administration on Aging and Special Consultant to the President for the Aging.....	1867
Finch, Hon. Robert H., Secretary of Health, Education, and Welfare.....	1868
David, Alvin, Assistant Commissioner Social Security Administration.....	1880
Walters, Thomas, president, National Association of Retired Civil Employees.....	1900
Burk, Othie G., vice president, National Association of Retired Civil Employees.....	1900
Fitch, William C., executive director, National Council on the Aging.....	1906
Schulz, Dr. James H., associate professor of economics, University of New Hampshire.....	1914
Sheppard, Dr. Harold L., staff social scientist.....	1919
Brewster, Mrs. Agnes W., consultant on medical economics.....	1922
Kreps, Juanita M., professor of economics and dean, Women's College, Duke University.....	1924

## APPENDIX

Appendix 1: "The Stake of Today's Workers in Retirement Security," a working paper in conjunction with the overall study of "Economics of Aging: Toward a Full Share in Abundance" prepared for the Special Committee on Aging-----	Page 1927
Appendix A. "The Retirement Test in Social Security" by Nelson H. Cruikshank, president, National Council of Senior Citizens, Inc.---	1945
Appendix 2: "The Future Role of Social Security" prepared by Tax Foundation, Inc., New York, N.Y.-----	1953
Appendix 3: Additional material from witnesses:	
Item 1. Letter from Wilbur J. Cohen, dean, School of Education, University of Michigan, Ann Arbor.-----	1971
Item 2. Letter from Nelson H. Cruikshank, president, National Council of Senior Citizens, Washington, D.C.-----	1971
Item 3. Letter from Elizabeth D. Koontz, Director, Women's Bureau, Wage and Labor Standards Administration, Department of Labor.---	1974
Appendix 4: Letters and statements from organizations and individuals.	
Item 1. Letter from Judy Bales, center director, Boulder Senior Citizen Center, Boulder, Colo.-----	1980
Item 2. Letter from Robert M. Ball, Commissioner of Social Security, Department of Health, Education, and Welfare.-----	1980
Item 3. Letter from Marcelle G. Levy, director, Office for the Aging, Executive Department, New York, N.Y.-----	1981
Item 4. Statement of Harold B. Parker, executive director, State commission on aging, Atlanta, Ga.-----	1981
Item 5. Letter from George P. Shulz, Secretary, Department of Labor.---	1983
Item 6. Letter from Tax Foundation, Inc., New York, N.Y.-----	1983
Appendix 5: Preliminary Findings from Social Security Survey of the Aged 1968: Report No. 1, Office of Research and Statistics, Social Security Administration.-----	1986

# ECONOMICS OF AGING: TOWARD A FULL SHARE IN ABUNDANCE

(Concluding Hearing)

MONDAY, MAY 4, 1970

U.S. SENATE,  
SPECIAL COMMITTEE ON AGING,  
*Washington, D.C.*

The special committee met at 10 a.m., pursuant to call, in the Caucus Room, Senate Office Building, Senator Harrison A. Williams, Jr. (chairman) presiding.

Present: Senators Williams, Randolph, Young of Ohio, Hartke, and Miller.

Staff members present: William E. Oriol, staff director; John Guy Miller, minority staff director; Dorothy McCamman, consultant on the "Economics of Aging;" and David Affeldt, Counsel.

Also present: James H. Schulz, Ph. D., associate professor of economics, University of New Hampshire; and Agnes W. Brewster, Consultant on Medical Economics.

## OPENING STATEMENT BY SENATOR HARRISON A. WILLIAMS, JR., CHAIRMAN

The CHAIRMAN. This hearing of the Special Committee on Aging will now come to order.

I am going to submit for the record an opening statement. I had intended to read it but request that it be inserted as read. I have to leave for another hearing and it is my hope that I can hear some of the witnesses before I have to leave.

Just over a year ago, at the first hearing on the "Economics of Aging," I said that our purpose was to: "establish an overview of the many economic pressures that affect aged and aging Americans."

In addition, I called upon the committee to focus its attention upon the personal economics of individuals who—in the final decades of their lifetimes—discover that fixed incomes and life-time savings are either totally inadequate or barely enough for marginal life.

And as a third goal, I said that the committee "will also try to look ahead to the likely economic situation that today's workers—those who now think of retirement as far in the future—will face if present trends continue."

On the first two counts, I think the committee has met its objectives.

We have established an overview. It may be found in volumes of testimony and several excellent working papers which emphatically make two major points:

One is that retirement income is inadequate for most Americans—and I mean inadequate to the point of crisis.

### THE DRAINS

The second is that—even though their economic base is fixed and small—the elderly are subject to severe drains on their incomes: inflationary medical costs still hit hard, despite medicare's invaluable coverage; real estate property taxes eat deeply into resources of couples and widows or widowers who bought their homes years ago, when taxes were much lower; and the high cost of everything literally reduces the amount of food on the table of millions of older Americans in this nation.

To buttress our statistical overview, and to keep the focus upon personal economics, the committee also got the facts directly from the elderly.

The Subcommittee on Health—under Senator Muskie—and the Subcommittee on Consumer Interests—chaired by Senator Church—heard from panels of older Americans who spoke out, loud and clear, about the problems they cope with every day.

In a suburban community generally regarded as quite comfortable, I heard from one widow who was paying more than half of her \$1,790 annual income for real estate property taxes.

She, and many other older Americans do not look and act as though they are living in poverty.

Many of them may indeed be slightly above official poverty levels.

But they know what it means to live in constant anxiety. They know what it means to see savings dwindle. They know what it means to live on less than half the income of people who are still in the work force.

Yes, we now have the overview and we have much direct testimony from the elderly themselves.

### TOMORROW'S RETIREE

But what about tomorrow's retirees—the workers who today may be struggling to pay off a mortgage, to pay for college and other costs for dependent children, and who may perhaps be contributing to the support of parents or even grandparents?

The committee has received many excellent statements about difficulties just down the road, for today's workers.

At hearings on private pensions last February, for example, the committee was warned that private pensions, valuable as they are, fail to reach many retirees who need them most. The projections for coverage in 1985 and beyond are worthy of careful study indeed.

But, even though we have referred quite often to the retirees of the future, we have never definitely summed up the stake of today's workers in retirement security.

Today, however, this committee has before it an admirable study presented by Nelson Cruikshank, president of the National Council of Senior Citizens and former director of the Department of Social Security of the AFL-CIO.

Nelson, you have our thanks for making this effort on behalf of the committee and the many millions of Americans to whom it is directed. Your working paper is well worth national attention. It should be read by today's workers as carefully as they would read an insurance policy.

What Mr. Cruikshank says, in effect, is that our national commitment to retirement security is in need of bold revision. And the starting place is with thorough-going reforms in our social security system.

My personal view is that Mr. Cruikshank's warning should be heard, and it should be heard this year, when the House acts on social security legislation in the near future and when the Senate acts soon after.

The time for tinkering and stopgap measures is over. We need action of the kind proposed in my bill, S. 3100.

#### ABSENCE OF SECRETARY FINCH

Before I close I would like to note for the record that Mr. Robert Finch, Secretary of Health, Education, and Welfare, was invited to testify at this hearing. It was pointed out to him that he had been unable to testify at our opening hearings on April 29 and 30 of last year, and that our study would be incomplete without expressions of policy from the head of the Federal department which conducts most of the programs related to retirement security in this nation.

The Secretary once again has declined to testify before this committee.

Indeed, Mr. John B. Martin, Commissioner of Aging and Special Assistant to the President for the Aging, will represent HEW.

I think Mr. Martin knows that this committee has high respect for him in two capacities and as a friend of aging generally.

But I must express disappointment over the failure of Secretary Finch to recognize the "Economics of Aging" as a subject worthy of his personal involvement before this committee.

Indeed, if Secretary Finch were here to testify, I would have felt compelled to ask him about a recent Associated Press news story which quoted him as saying:

"We already spend too great a share of Federal money for persons over 60." (Washington Post, April 24, 1970.)

Similar statements attributed to the Secretary during 1969 were roundly rebutted, and he was accused of making misleading comparisons between expenditures for the elderly and expenditures for youth. He failed, for example, to note that most of the Federal "spending" for the elderly is drawn from trust funds to which the elderly contributed during their work years.

In addition, the Secretary was accused—and I was among the accusers—of taking an either-or attitude.

It has to be the young or the old.

Not both.

Why?

I ask, "Why." But the Secretary will not be here to answer.

I cannot conclude this statement without giving my thanks to those distinguished and informed individuals who formed "task forces" or "advisory committees" and provided working papers in advance of several hearings.

The honor roll of their names follows this statement. I salute them here and now for performing their work so well—without pay and usually under severe time pressures. They should be thanked by this Nation, as well as by this Committee.

In addition, I would like to give a very heartfelt statement of appreciation to Miss Dorothy McCamman, who has served as consultant throughout this study. She has provided much of the expertise, tact, and patience needed to mesh many facts and many themes.

And from it all has come one major theme:

#### RETIREMENT CRISIS THREATENS MILLIONS

Today's twenty million older Americans, soon to become many millions more, stand in need of national action to meet a national retirement income crisis. The problem will not go away. It must be met, not only for the elderly of today but for those now years away from retirement. Let us hope that by the time of the White House Conference in 1971 we will have taken some steps to deal with the most pressing difficulties and that we will have recognized the need for a clear and comprehensive national policy on economic security in retirement?

In our final report, this Committee will take the full measure of the action that is needed.

Task Force Members: Agnes W. Brewster; Juanita M. Kreps, Ph. D.; James H. Schulz, Ph. D.; Harold L. Sheppard, Ph. D.

I do wish to take just a moment to thank Mr. Nelson Cruikshank for preparing the working paper addressed to the retirees of the future. As Mr. Cruikshank knows, we on this committee feel that the retirement income crisis of today will inevitably become the retirement income crisis of tomorrow unless major action is taken.

He has given us a framework for such action.

We will begin with Mr. Nelson Cruikshank, now president of the National Council of Senior Citizens, formerly chief advisor to the AFL-CIO on social security.

Mr. Cruikshank, the working paper, "The Stake of Today's Workers in Retirement in Security," will be printed as an appendix to the hearing record.\*

\* See appendix 1, p. 1927.



STATEMENT OF MR. NELSON CRUIKSHANK, PRESIDENT, NATIONAL COUNCIL OF SENIOR CITIZENS; ACCOMPANIED BY MRS. JOSEPHINE PICCOLO, COMMUNITY SERVICE REPRESENTATIVE, GREATER WASHINGTON CENTRAL LABOR UNION; JOHN HAZEL, BUSINESS REPRESENTATIVE, LOCAL 2, OFFICE AND PROFESSIONAL EMPLOYEES INTERNATIONAL UNION; BRIAN FLORES, BUSINESS REPRESENTATIVE, LOCAL 35, WASHINGTON-BALTIMORE NEWSPAPER GUILD; AND RONALD RICHARDSON, EXECUTIVE SECRETARY, LOCAL 75, BARTENDERS UNION

Mr. CRUIKSHANK. Thank you very much, Mr. Chairman.

We are very grateful to work with you and your committee and the able staff and the opportunity that you have given us to present to the Senate of the United States—Senator Young, glad to see you.

Senator YOUNG. Nice to see you.

Mr. CRUIKSHANK. The problems of economic security and related problems which your committee has been doing now for nearly 2 years.

I am glad of this opportunity personally and I also want to introduce some associates of mine who are here representing those still in the working force, Mrs. Piccolo, the community service representative; Mr. John Hazel, the business representative of Local 2 of the Office and Professional Employees; and Mr. Brian Flores, business representative of the Washington-Baltimore Newspaper Guild.

They are here. Mr. Ronald Richardson of the Bartenders Division of the Hotel and Restaurant Workers' Union may be here later but on Monday morning I suspect the bartenders may have some reasons for delay.

The CHAIRMAN. Except in Pennsylvania.

Mr. CRUIKSHANK. Also, Mr. Lawrence Smedley, former associate of mine in the social security department of the AFL-CIO, is here someplace in the room.

I would also like to add, that a number of the people in the audience are from the local chapters of the National Council of Senior Citizens, Senator. I am glad to have their moral support this morning.

#### ECONOMIC SECURITY PROBLEMS IN OLD AGE

I will certainly not attempt to repeat here the text of the working paper that has been prepared, I would like to highlight some of the problems in the area of economic security and point out the fact primarily that the problem of economic security in old age is not just a problem of the aged or problem of economic security for the aged.

Historically in the United States the provision of security in old age has been a family problem. Now I don't think it is any less a

family problem because we have moved from a simple agrarian society into a highly industrialized structure. It simply means that we use different approaches and different methods to meet family responsibility and to unite the interests of generations, older people, those still working, and their children.

But the modern mechanisms of finance and insurance are those that are available in an industrial society, they are the mechanisms which provide the means to spread income over a lifetime, essentially accomplishing the same purpose by these different means that were done in an earlier simpler society.

I would like to point out also—this is not in the working paper, but in passing—might I say that I sometimes resent just a little bit people saying that we were so late in the United States in meeting the problems of aging; that is, because we came with a social insurance mechanism later than many European countries, but when we look back we see that in earlier days we were not so unmindful as some people like to say we were.

I think, for example, of the passage of the Homestead Act back in 1862. What did we really do there? The resources of the United States at that time were in land, great areas of unused and unoccupied land. We had resources. We were a debtor nation in terms of money; we were buying railroad track and rolling stock from England and we had to balance our payments by sending grain and agriculture products to Europe.

But what did we do? We dedicated the resources of the Nation which existed in land to the development of family-sized farms and the Homestead Act which provided that the people could go out and settle on the land and get free land. In those days if a person had a quarter section of land and two or three sons he had economic security for his old age.

Now we don't have land as a resource, but we have money. We are now a creditor nation and we have the instruments of finance and insurance, so we are using these to do the same thing. I would say that this country, as early as 1862, was dedicated to the concept of security in old age.

Now I comment on these issues on pages 1 and 2 of the report and then I move to the contention which is the main thrust, I think, of the paper that in our present situation we rely primarily on social security, railroad retirement, and, of course, on our civil service retirement system for old age security. More people depend on this public system of social security for security in old age than on any other.

#### SOCIAL SECURITY IS FAMILY SECURITY

On pages 3 and 4 I go to the point that the concept of family security and the dependence on the social security system for family security is further supported by the disability and survivors' provisions in social security. I think we need to emphasize over and over in every public approach we have, the fact that the social security system is not simply a retirement system as it is often thought of.

I had the privilege of being in New York on Friday at the Governor's Conference on Economic Security and one of my colleagues there was the distinguished former Secretary of HEW, Mr. Cohen, who I see is with us again this morning. He pointed out that the matter of survivors' benefits and disability benefits were an essential part of the system and we need to emphasize this in our public approaches.

#### REEXAMINATION OF "FLOOR OF PROTECTION" THEORY

Now the earlier concepts of our social security system ran to the idea that social security provides some kind of a minimum basic floor of protection and that we would depend on other devices to round out the economic security. We have come to a time now when I think we need to question and test the validity of that concept.

It was thought that homeownership, private insurance, private pension plans and all would be pretty heavily relied upon with social security the universal floor of protection. I think at this stage, members of the committee, we have to reexamine that and I am impressed by the working papers that have been presented earlier in the work of this committee, which indicate that these elements of economic security have not fulfilled the promise or the expectations to the extent that we thought they would or that we hoped they would.

Your other working papers, on private pensions, for example, show that relatively few people have private pensions that are anywhere near approaching adequacy. The level of benefits is low, the eligibility standards are high and they really supplement the social security and other public systems for people who generally have the least presumptive need in this area.

Now in the labor movement, and I have been with the labor movement all my working life, we do depend on these private pensions and they are an important part of collective bargaining and we would not want to downgrade them. But when we look at the population as a whole, we see that to a certain extent they are fortuitous in the kind of protection they afford. If a person is to get security from a private pension, he needs to meet really three basic situations.

One, he must work in an industry that is able to pay. Now we have many big rich industries in the United States like auto and steel and many of the service industries, but we also have many smaller marginal industries and a great part of the working force is here.

Second, he must be in an industry that is willing to provide pension security or that is made willing by union pressure and collective bargaining.

Third, he must be in an industry that has a continuing market for its product.

Now we never know in a fluid dynamic society where an industry is going to be 30, 40, or 50 years from now. It is interesting that some of the earlier pensions, for example, were in the carriage manufacturing industry and around the turn of the century it looked as if a person making buggies and carriages was in a long, enduring industry, but along came the automobile industry. What happened

to the pension plans in the carriage manufacturing industry? Now we don't know what is going to happen even to things as big as the automobile industry today. It may be here with the continuing market 40 years from now, and the market may be substantially changed. So these conditions, I think, sometimes are almost like the three gold bars on the one-armed bandits of the slot machines, you can pull the level and if only two of them come up your quarter is gone, one of them is missing; you have to have all three of them. So there is a certain fortuitous nature in the extent to which we can rely on private pensions.

Now private savings is another matter and it is really not a practical method of meeting the need as your other working papers have shown.

First, there is the fluctuation in the value of the worker's earning power through life.

Then, second there is the fluctuation in the value of the dollar saved.

#### PRESSURE ON WORKERS' PAY

Then there are, as I pointed out in the working paper, the tremendous demands on the workers' pay during the time of his greatest earnings: the pressures of raising and educating a family, constant heavy increasing demands so that the margin of his income over those demands available for savings is often small. He has to meet housing demands.

Then the fact that the working years, the span of his working life, is shortened and the nonworking years of a worker's life are longer, and this is particularly so as we are facing earlier retirement at the same time we are facing more and more educational demands. A worker today may do fairly well as he entered the work force with a high school education or even a grammar school education, but he knows that in this modern technological society when he puts his sons and daughters into the work force they will need to have a college education.

So there is a longer period at the lower age level where they are nonproductive economically speaking, and with earlier retirement in front of him and earlier obsolescence of his skills, there is a longer period at the other end of his working life.

So all of these factors mean that it is less and less practical to rely on private savings.

Then, as I point out, there is a certain conflict in our mores, our attitudes toward saving. We teach every Boy Scout to say he is thrifty and this is one of the virtues and it is good for people to put money aside and in a savings bank and private insurance and all this, if he can, though, as I pointed out, it is increasingly difficult to do that.

We have to remember also while we are encouraging every little Boy Scout to save and saying how good it is and how morally desirable it is to be thrifty, we are spending billions in telling them to spend. In 1968 we spent \$17.9 billion in advertising. That is, we spent nearly \$18 billion telling people to go out and spend and spend and spend. And not only spend today's wages, but spend tomorrow's wages—buy on time.

We used to pay for an automobile in a year, then 2 years, then it is 36 months' payment with high interest rates and all. So while we are telling people to save we are also spending enormous amounts telling them to use up today's earnings and even use up tomorrow's.

### COSTS THAT WORKERS SHOULD NOT PAY

Now the conclusion of this all is, if we really mean to improve the economic status of the elderly we must as a practical matter improve social security and these improvements must be substantial.

Now we know that such improvements are costly. When we look at how the cost should be borne and how they should be distributed as I point out on pages 8 and 9 of the working paper, there are some parts of this cost which, we feel strongly, workers during their working years should not be asked to bear.

I list four of them. The costs of more income for 10 percent of the aged who are not really retired, and I am referring now to the retirement test which I have dealt with extensively in the appendix. If we are going to have an increased cost of social security for paying benefits to people who have not really retired and to eliminate the retirement test, it would cost about \$2½ billion a year in the early period. This should not be borne by working people and again we need public education on this point.

Second, workers should not have to bear the full cost of high minimums for workers who have only had a short work experience. If this results from their not having had an opportunity to have employment under social security this is not their fault, this is not the fault of other workers, this is because of the shortcomings of the system and its limited coverage provisions. It is all right with us and the working people if they are given social security benefits, but these benefits should not come out of a tax on wages, it should come out of the general revenues of the Government.

Third, workers should not be required to pay the cost of early retirement and in the early retirement figures we suspect there is a good bit of concealed unemployment, because when people retire at age 62 on a drastically reduced retirement benefit it is hard to believe that they are in many cases actually voluntarily retired.

Fourth, they should not under the medicare part of social security be required to pay the cost of runaway and uncontrolled medical costs. In the medicare part of social security we are going to have to find a way to control the cost of the system.

### GENERAL REVENUE FINANCING

Now in the development of a well-rounded social security system designed to meet the real economic needs of the elderly in this country, we are going to have to come, as every other industrial nation in the world has come, to a system that is supported at least in part from the general revenues of the Government.

Now this is not so new and startling as some people seem to think.

A provision for supporting the system out of general revenues was recommended by the President's Committee on Economic Security in 1934. Provision for such support in the event it was

needed to pay scheduled benefits was incorporated into the act in 1943 and remained in effect until 1950.

It is also now recognized in the medicare program a part of the cost of medicare is borne out of general revenues of the Government; that is, the equal contribution in part B and also for those groups over age 72 who were never in social security who are getting a benefit under social security.

So we believe that there is a sound principle that argues for this kind of support. The whole system, like any retirement system, the retirement part of the social security is in effect paying for past service credits as a private pension pays for past service credits and it is our conviction that it is not right and not economically sound to do this exclusively out of a payroll tax. The past service credit under social security should be borne from general revenues which rest on a more progressive tax structure.

So at this juncture, Mr. Chairman and members of the committee, we need to reexamine the concepts, the ideas that we have had about social security, this whole question of the basic floor, the extent to which we now know as a practical matter that the main reliance on economic security in this country for the elderly as well as for the working people is on the public system. We need to examine its adequacy and we need to take a whole new fresh look at it from the worker's point of view, from the retiree's point of view, from the point of view of those who are depending on this while they are working for the years that are ahead.

#### NEW IMAGINATIVE APPROACH FOR SOCIAL SECURITY

Our contention is that you can't do this by little tinkering here and there, little increases of 5, 10, 15 percent, but that you need a bold new imaginative approach to the concept of social security.

We are glad to note that there are some bills in Congress such as the Gilbert-Williams bill which approach it in this manner. Mr. Chairman, your bill is summarized in my working paper noting that it provides a 50-percent increase in benefits. We are grateful for the 15 percent you have already passed, but we just consider that a down payment toward an adequate system.

We believe that the benefits should be geared to a rising standard of living and we believe this should be done by gearing it not just to the cost of living but to the wage concept which more adequately reflects the rising standard of living. We believe that the assessment in part B of Medicare should be eliminated by combining part B with part A, putting it all in the sound social insurance principle so that people can make provision for their needs in old age while they are still working, just as they do in the rest of social security.

The scheduled increases in contributions out of general revenues should be incorporated in the Social Security Act until on the maturity of the system the Federal Government out of general revenue is meeting approximately one-third of the total cost.

These, Mr. Chairman, are an attempt to outline the major areas of need and to point the way, as I believe your bill does, to the best way of dealing with these needs.

I would be glad to address myself to any questions you may have, if I can.

Senator RANDOLPH (presiding). Thank you, Mr. Cruikshank.

Our able Chairman, Senator Williams, of necessity has another subcommittee hearing that he must chair and it will be necessary for me also to go there in a few minutes.

It is gratifying that Senator Young of Ohio is here this morning and I hope that his schedule may permit him to act as the chairman for at least that portion of the time as he can be present.

You are director of social security for the AFL-CIO, is that right?

Mr. CRUIKSHANK. That is correct, Senator.

Senator RANDOLPH. For what length of time?

Mr. CRUIKSHANK. I came in 1944, took a 1-year leave of absence in 1951 and remained there until 1965 when I retired. So I am a retiree, too.

Senator RANDOLPH. You are a very alert and active retiree.

Mr. CRUIKSHANK. Thank you.

Senator RANDOLPH. That is the way Senator Young will be after January, he will be active and alert as a retiree from the Senate.

Mr. CRUIKSHANK. I am a native of Senator Young's State so maybe we will both go back to Ohio.

Senator YOUNG. I heard that. I think that you have made a magnificent statement here today. I don't want to talk too long, but I am certainly in agreement with many of the things that you said. It is amazing to me, and you stress some amazement about it, that some men retire now at the age of 62.

Well, my way of life, your way of life, has been to work and it happens that I am not retiring except I am retiring from the Senate. We have a tradition in Ohio, and John Bricker tried to break it, of running for a third term in 1958 and the people were good to me. I have served 12 years at the end of this year.

May I say that Senator Randolph and I have every reason to be proud because we were in the House of Representatives back in the 73d Congress and were there when this great social security law was composed by Franklin D. Roosevelt and it is the greatest piece of domestic legislation in the history of our republic and reference has been made to that.

By the way, when you talk about retiring at the age of 62, perhaps, as you stated and as we know, the first social security law in the entire world was promulgated by Bismarck in 1889. In 1889 the life expectancy of people was about half or less than half what it is at the present time. In view of the life expectancy that we enjoy now, I go along with you in every respect that we must have a bold new imaginative approach on the problems of the elderly and we are going to have.

I want to thank you.

Mr. CRUIKSHANK. Thank you, Senator Young.

Senator RANDOLPH. Thank you, Senator Young.

I will not continue to talk about the matters of years. They say that there are three ages of a person: youth and the middle years and "my, but you're looking well."

I do want to say to you sincerely though that Senator Young and I were supporters in 1935 when the Social Security Act was passed. There is no generation gap however between Senator Young and

myself, we get along very well with older people, I want you to know that.

I think it is important testimony that you have provided this morning.

Are union members in a general way ready to pay, let's say, the higher social security assessments?

#### WORKERS GET MONEY'S WORTH FROM PAYROLL TAX

Mr. CRUIKSHANK. Senator Randolph, of course no tax is ever pleasant but from my experience in the AFL-CIO as director of the department of social security, I am fully convinced that this is a tax for which workers are convinced they get their money's worth more than any other tax they pay.

I recall one period when there was an effort made when the Presidential message stated that it was unfair to allow one of the scheduled increases in taxes to go into effect and there was a flood of mail from workers saying that they wanted that scheduled increase to go into effect.

Now workers have had experience in this area through their unions. They negotiate pension plans, they know that any retirement system or system providing disability protection and survivors protection is not cheap. They know that higher benefits must mean higher contributions. They have generally supported the higher social security taxes, both in the rates of tax and also the amount to be taxed.

Today we really only insure the first \$7,800 of income and we feel that with rising wages the higher incomes should also be insured so they want to raise that base.

#### UNIVERSAL COVERAGE

Senator RANDOLPH. Should the eligibility for social security, Mr. Cruikshank, extend to all persons 65 and over if they are not covered now by retirement programs?

Mr. CRUIKSHANK. Well, you cannot very well bring people into the system after they retire.

Senator RANDOLPH. I am talking about public retirement.

Mr. CRUIKSHANK. We believe they all should have benefits, that nobody reaching retirement age should be left without protection. If he has been unfortunate enough not to be in covered employment, then he should be paid benefits but those benefits should be paid out of general revenues and not out of the trust fund created by payroll taxes.

My colleagues here represent people, Senator Randolph, who are still working. They are business agents and community services representatives of unions and they might be willing to speak to their members' willingness to pay social security taxes.

Senator RANDOLPH. I think that would be appropriate just at this point. I would ask that you not make long statements but just merely say in a sentence or two and then you can supplement what you have said.



Senator YOUNG. May I ask one question?

You certainly do desire that social security remain as an actuary sound insurance system?

Mr. CRUIKSHANK. Yes. It should be adequately financed but it does not have to be funded like a private insurance system guaranteeing all future payments from great reserves because essentially the reserve of this system is the Federal Government with its power to tax. The tax schedules combined as proposed now with Government contributions, should be laid out in advance so that we know that the system is financed adequately.

Senator YOUNG. As a member of the House of Representatives in 1949 I served on the Ways and Means Committee and I helped draft the present labor law and expanded social security law and that is one aim we must always have in mind, is to keep it an actuarially sound system which it is now.

Mr. CRUIKSHANK. We agree, sir.

Senator RANDOLPH. Mr. Cruikshank, would you be helpful to the committee in introducing the persons not as a whole but one at a time and asking them just to respond to the question.

Mr. CRUIKSHANK. The first is Mr. Brian Flores of the Washington-Baltimore Newspaper Guild.

Senator RANDOLPH. Mr. Flores?

#### STATEMENT OF MR. FLORES

Mr. FLORES. Yes, Senator. I just would like to say briefly that it is a little bit unusual to be contemporary with two things. One, it is Senator Young's birthday, it is also my birthday, so we are contemporary in that sense.

Also I was born in 1935 so I am also a contemporary of the social security law.

I represent some 2,000 newspaper workers in the city of Washington, D.C. and Baltimore. I think the question of understanding the social security tax is probably the answer to people's acceptance of it. I think really there is a good deal more understanding after some 35 years seeing the system in operation.

#### SOMETHING OF VALUE FOR CONTRIBUTION

Finally, you are talking not only about a retirement plan but a family security plan should something happen to your ability to be a wage earner. I think really that everyone is aware after 35 years of social security that it has its faults but I think they do understand that you do get something of value for the money that you put into it. I think there is no doubt in the minds of any working man that social security has to be improved to keep pace with the rising economy. But I do think that the key is understanding.

I think that the unions try to do their part in providing education which will enable people to understand just exactly what benefits are and I think that the rises that are called for certainly in the bill that Mr. Cruikshank is talking about, it is certainly worth the people across the country to support this particular bill.

Mr. CRUIKSHANK. Next, Mrs. Josephine Piccolo.

## STATEMENT OF MRS. PICCOLO

## BEST BARGAIN FOR INVESTMENT

Mrs. PICCOLO. I am sort of getting to that "My you're looking well" stage in life. As part of the service community program I work for alteration of all ages, particularly addressing myself to the off-the-job problems of the union member and for 20 years now I have been working in this kind of a position.

I feel that the best bargaining that the young trade unions get for their investment is social security.

Senator RANDOLPH. That would include even the payment if necessary of higher payroll taxes?

Mrs. PICCOLO. Yes.

Senator RANDOLPH. Thank you.

Mr. CRUIKSHANK. Mr. John Hazel is the business representative of Local 2, Office and Professional Employees International Union.

## STATEMENT OF MR. HAZEL

Mr. HAZEL. Senator Randolph and Senator Young, the office and professional workers are in favor of this social security.

One, it would bring security in the future. I think that the younger generation is luly concerned about it. I know that the are expressing the desire of more money being invested into this program and they are also seeking that the social security in years to come will bring even greater benefits to them.

As a business representative, I find that they do not object to it, that they are looking for something in the future and that they support it because this is the result of bringing in some revenue to them at another age.

I think the bill would be one that would be supported by the office and professional workers and that the younger people are concerned about it and I think they will support it.

Senator RANDOLPH. At that point, before calling on your fourth member of the panel, in the employment aspects of the working paper of the foreword to that contribution on the subject matter we have these words:

The people in the Nation suffer because we have failed to promulgate policies, a national commitment, to assure lifetime usefulness of all those who wish to avoid retirement patterns that are increasingly accepted as normal.

Mr. Cruikshank, what do you mean by this word "normal" or what do we mean or what do those who study this situation mean?

## "AGE OF STATUTORY SENILITY"

Mr. CRUIKSHANK. Well, I think that there are patterns that have come to be accepted that unfortunately people are turned out to pasture at a certain age. I heard somebody describe 65 the other day in a rather startling phrase. He said it was the age of statutory senility.

Well, now we just need to get over that. The import of what I meant to say there was that the whole life process is a continuing process and the years of retirement from productive labor in the

market are just as useful, should be just as useful, just as productive, just as satisfying as those when we are still in the labor market.

Senator RANDOLPH. Mr. Cruikshank, you are joined today by persons who are representing segments of the labor union—well, say the labor union complex as it were. Now in companies where there are contracts with labor through management and labor agreements, not Federal in nature, but primary, are there mandatory retirement ages?

Mr. CRUIKSHANK. In some of them there are. A fewer number all the time because we generally oppose a general mandatory retirement. We feel that should be a matter of individual choice. Now there are some instances where by collective bargaining choices in specific areas, the workers and the management agree that it is desirable to require retirement and when that is an agreement between the union and the management, it is acceptable. But we do not believe, for example, that there should be a governmental decree making mandatory a specific retirement age.

Senator RANDOLPH. Then, Mr. Cruikshank, you would be against a mandatory leveling off, as it were, of a year or a bracket of years when a man could no longer be eligible for appointment by the President to the Supreme Court, is that right?

Mr. CRUIKSHANK. Yes, I think that is correct.

Senator RANDOLPH. And you would also be against the so-called cut-off date when a member of the President's Cabinet could serve in that administration, is that right?

Mr. CRUIKSHANK. I think that is out of my area of competence. Those are different types of employment. We don't have them in any collective bargaining agreement, they are not members of our union.

Seriously—

Senator RANDOLPH. I am asking you seriously.

#### WEAKNESS OF MANDATORY RETIREMENT

Mr. CRUIKSHANK. I think it illustrates this matter, Senator, that it points up one of the weaknesses of the idea of mandatory retirement age because there are all different kinds of employment. Look at these men on the street for example, working with one of these jack hammers. My gracious, how could he spend more than a few years jiggling his insides on that kind of thing. He ought to be able to retire at an earlier age than a man who is, say, a college professor or a physician. We would not like to have physicians get out in this shortage of physicians we have, where his wisdom, his skill, his years of experience are the main demands on his resources. So that any arbitrary year for retirement does not meet these varying types of activities.

You take a judge, a man who sits in the U.S. Senate, the years to accumulate his wisdom and his experience and his ability to produce what he is able to produce.

Senator RANDOLPH. Mr. Cruikshank, you are saying then there are these differentials within the types of employment of a person either in private industry through collective bargaining with labor-management or even in Federal positions?

Mr. CRUIKSHANK. I would say definitely, yes, sir.

Senator RANDOLPH. I think this is very important. Recently we have had, of course, the concentration on many types of possible cessations of work by persons who are employed. I think that people who really know the picture would say that the men and women who work as air traffic controllers who regulate the operation of our aircraft schedules generally issue all types of movement of planes, that there is a tension there. There is an exacting duty involved that perhaps should be written into law at an earlier retirement date. Are you favorable to that?

Mr. CRUIKSHANK. Yes. I think so.

Senator RANDOLPH. Where a case would be proven?

Mr. CRUIKSHANK. I think so. We have already recognized this in a number of areas. For example, fire fighters. There is a long tradition of early retirement there. Where you have an occupation where physical ability, physical stamina, physical requirements are heavy and it is very difficult for older men to meet, you then should have an earlier retirement.

For example, aircraft pilots retire at an earlier age; people should not be forced to retire without also a retirement system meeting the needs of that or supplementary or complementary employment or something. We should not be saying to men, well, you cannot meet the requirements of the job, so you have to retire at age 55. You are an old man on this particular job at 55, but you are going to have to wait until 65 before you can collect benefits.

We have to dovetail our retirement systems into those particular occupations.

Senator RANDOLPH. I think then it is a very important hearing today and we are going to get a little closer attention to the matter and other matters about which you have been speaking. This is very important that we take another look. We perhaps act anew and in a sense not because it has been on the books, but because it is necessary to change or amend the law. This is certainly a challenge to the members of the Special Committee on Aging and to you, a leader, and to all those who join with you in this effort.

Mr. CRUIKSHANK. We are very glad your committee, Senator, is looking into these many aspects.

Would you like me now to ask Mr. Richardson of the Bartenders Union to comment? He is the fourth member who joined us.

Senator RANDOLPH. Of course they need never retire, they just pass it out, you know.

Yes, pardon me.

#### STATEMENT OF MR. RICHARDSON

Mr. RICHARDSON. Mr. Chairman, members of the committee, our joint board of Washington represents some 10,000 hotel and restaurant employees and this is one of the lower paid service industries in this city and in the country.

The workers in this industry, particularly the younger workers that we are addressing ourselves to at the moment, have full knowledge of the fact that they will never be able to accumulate the type of reserves that it would take for them to retire adequately without social security.

## TAXES WORKERS OBJECT TO

I think if we are talking about an increase in social security taxes that this would be a very palatable increase, that this would be an increase that they all realized. They have seen their parents on retirement and realizing the fact they cannot accumulate the necessary money to retire at an early age.

I think if they had a choice there are a lot of taxes that they would rather not pay. I don't think that social security is one of these. I think there is an objection particularly on the part of the younger members right now about taxes that go to make up oil depletion allowances, farm subsidies for wealthier farmers, arms for Cambodia, that type of thing, but I don't think that social security taxes fall into the realm of that particular objection.

Senator RANDOLPH. Thank you very much. Not facetiously but did you call your union Bartenders Union?

Mr. RICHARDSON. My particular local union, as a craft union, it is Bartenders Local 75. We are part of the Hotel and Restaurant Employees and Bartenders International.

Senator RANDOLPH. Then you mean there is a segment within the larger complex that is just those that tend bar, is that correct?

Mr. RICHARDSON. Yes, sir.

Senator RANDOLPH. How many are there that tend bar in the District of Columbia?

Mr. RICHARDSON. Well, in Washington, I have approximately 500 members.

Senator RANDOLPH. Is that up or down?

Mr. RICHARDSON. From where?

Senator RANDOLPH. Well, from 5 years ago.

Mr. RICHARDSON. It is up from 5 years ago.

Senator RANDOLPH. People drinking more?

Mr. RICHARDSON. It is up considerably. I don't know whether people are drinking more or the people serving them are becoming more interested in joining the union.

Senator RANDOLPH. Doing a better selling job.

Mr. Cruikshank, the testimony was very helpful. Mr. Oriol will continue here as director of the committee. I regret I cannot be present to hear further discussions and colloquy.

Mr. CRUIKSHANK. We know you do have these other duties. We do appreciate the opportunity. We appreciate the work this committee has been doing over the past many months.

Senator RANDOLPH. Thank you very much. I will ask unanimous consent and since I am the one who will grant it, I know that it will be agreed to, I want placed in the record of the hearing today a statement that I had expected to read.

Mr. Chairman, the Senate Special Committee on Aging is nearing the conclusion of the study called the "Economics of Aging: Toward a Full Share in Abundance".

Much of the testimony during the past year has necessarily dealt with improvements to the Social Security system, with proposals to broaden the effectiveness of private pensions, and with other recommendations for increasing income for retirees—men and women who have left the labor force.

But—in the very first “Working Paper” issued more than a year ago—a distinguished Task Force directed the attention of this Committee to the importance of employment as an element in the economic security of older Americans.

#### EARLIER RETIREMENT—INEVITABLE?

That first Working Paper, in particular, pointed to a national trend toward earlier and earlier retirement. I hope that early retirement will be a blessing. But, in fact, information leads to the conclusion that men and women decide to take reduced Social Security benefits at age 62, not because they had planned to do so, but because they have no other choice. Their limited earnings make even a reduced benefit attractive.

Within recent years, more than half of the men retiring did so before age 65.

And by doing so, they significantly reduced the amount of monthly benefits they would receive in later years from Social Security.

The Task Force did a service by discussing this and other issues related to employment of older workers. So strong was their recommendation for a more searching look at such issues, that our able Chairman, Senator Williams, and I agreed that a hearing should be conducted on “Employment Aspects of the Economics of Aging.”

And again, a “working paper” was prepared before the hearing, by the National Institute of Industrial Gerontology. That Working Paper, last December, is a contribution to our overall study, for the following reasons:

Its authors forcefully make the point that the United States does not yet have a clearcut, effective policy for maximum utilization of Americans now regarded as “older workers.”

On the contrary, both government and private industry seem instead to regard earlier and earlier retirement—in some cases, it is actually enforced unemployment—as inevitable and perhaps desirable.

Such attitudes and practices are contributing to the economic insecurity of workers who are approaching retirement, leaving many of them with no alternative but early retirement and seriously inadequate income.

#### ROAD TO PERMANENTLY REDUCED INCOME

Another major theme is that much talent and experience is wasted when jobs are scrapped as the needs of industry or commerce change. Forced to find new employment after his fortieth birthday, many a worker or executive has found himself on the road to permanently reduced income and—consequently—precarious retirement security.

Despite the fact that four out of every five persons over 65 are not in the labor force and that the other one in five tends to concentrate in part-time and low-paid jobs, employment is still a major source of income for the aged group. Appropriate actions to increase employment opportunities for older Americans could therefore contribute substantially to the economic security of those who are able and wish to engage in gainful work.

As Chairman of the Subcommittee on Employment and Retirement Incomes of this Committee, I conducted hearings on December 18 and

19 of last year to hear testimony on major points of the working paper. I made the following observations:

#### UNFAVORABLE "DEPENDENCY RATIO"

One: The Working Paper, and the witnesses at the hearing emphasized that there is an unfavorable "dependency ratio" in the labor force today. Younger workers are entering the work force later in life than they once did. Older workers are leaving earlier. One result is that those in the middle—the men and women in the labor force—must contribute more for the support of those who are not in the working force.

This as an important phenomenon. We don't yet understand its full meaning. But we should, and soon.

Two: Employment can contribute to a sense of well-being and it can even be a factor in health maintenance. That is not to say that—once in a job—a man should remain there throughout his work lifetime. We need more flexibility in employment patterns. Workers should be able to "make a switch" when it is sensible for them to do so.

Three: Even though the Congress passed on Age Discrimination in the Employment Act more than 2 years ago, the Subcommittee has considerable evidence that employment opportunities of the older workers are often damaged by negative attitudes and outright discrimination. We have much to do in implementing the Age Discrimination Act, and we must get on with it.

Four: Women's retirement income is less than a man's retirement income because their work income was less. I am gratified, Mr. Chairman, that the Women's Bureau of the Department of Labor will be represented at this hearing. Its Director, Mrs. Elizabeth Koontz, will undoubtedly provide us with important information on special economic problems of older women.

I say again what was said in the foreword to the "Employment Aspects Working Paper," and this is:

"The people of the Nation suffer because we have failed to promulgate policies—a national commitment—to assure *lifetime usefulness* of all those who wish to avoid retirement patterns that are increasingly accepted as 'normal.'"

We should act, at this hearing and in deliberations to follow, to end this deficiency. It is a negative force, not only on the economics of aging, but on the lives and hopes of millions of older Americans. As the numbers grow, the need for action becomes more pressing and more visible.

Mr. ORIOL. Mr. Cruikshank, do you at this point wish to join the panel at the table?

Mr. CRUIKSHANK. Yes, if you would permit me to, Mr. Oriol. I feel more at home with my colleagues than I do with Senators.

Mr. ORIOL. While Mr. Cruikshank is joining the panel, I will introduce myself. My name is Bill Oriol, I am the staff director for the committee on aging.

Starting on the left we have two members of our original task force, Agnes Brewster, consultant on medical economics; James Schulz, associate professor of economics, University of New Hampshire, and Dorothy McCamman, consultant on the economics of aging.

To my right, Mr. John Guy Miller, minority staff director for the committee.

Mr. Cruikshank, would you care to join the panel here. We have a few more questions here and perhaps we can get to some discussion here.

I would like to note for the record that the committee has received a publication called "The Future Role of Social Security" prepared by the Tax Foundation, issued just last week. We have been in touch with the Tax Foundation, they have been unable on such short notice to send a witness for this hearing. But they have given us permission to reproduce this in our transcript.\*

One of the articles, Mr. Cruikshank, causes this question. The National Council of Senior Citizens have been criticized in attacks made by social security actuary Mr. Myers upon your "Expansionist" views, and yet in this article Mr. Myers said it would be moderate and not expansionist to establish social security benefits that would provide "at least a reasonable subsistence."

By that standard, would you be willing to be called modern instead of expansionist?

Mr. CRUIKSHANK. I don't subscribe at all to the subsistence idea. I don't see why people as they reach retirement after having made a contribution to a dynamic and expanding and growing economy such as ours should be relegated to a subsistence level of living. They should share in the whole rising expanding standard of living which they themselves have helped create through their working years.

Mr. ORIOL. I guess the magic word in there is reasonable, a reasonable level of subsistence.

Mr. CRUIKSHANK. Well, that word kind of begs the question because the whole concept of level of subsistence, I think, is an unreasonable concept, that there is a certain contradiction in terms here.

#### MINIMUM FLOOR OF PROTECTION DANGERS

Mr. ORIOL. That leads to this next question. What dangers do you see for today's retirees and today's workers if we continue to focus only on establishment of a minimum floor of protection?

Mr. CRUIKSHANK. Well, a minimum floor of protection means that they are condemned to this kind of subsistence level and the floor of protection as a minimum floor of protection may just keep them from going on public welfare or something but deprives them of any opportunity of sharing the standard of living that we associate with an American standard of living.

Now much has been said about this floor of protection. I have subscribed to it at times in the past, but the whole idea is where are you going to establish that floor of protection? You talk about the minimum floor of protection as being something just enough to keep people off of public welfare. If you have that, what you have really done is to shift the burden of this kind of economic security, if it can be called that, from the general tax level to a payroll tax supported system.

When you go to a payroll tax supported system and people are willing, as my colleagues here have indicated they are willing, to

\* See appendix 2, p. 1953.



support that by the workers' share, it should not be held to something that just transfers the potential welfare person from a progressive tax that supports the welfare system to a payroll tax which is essentially a regressive tax.

If the people are willing to provide a social insurance system and to meet their share of the economic burden of this, they should be permitted to support a system that is not just a minimum but something which enables them to live a full useful enjoyable satisfying level of life. You cannot do this just on the minimum.

What is a minimum? What is a minimum? I heard the end of last week in New York for example, that in the great State of New York the welfare people who set budgets for welfare had decreed that when they make these budgets essentials to living have to be determined. And it has been decreed by the great State of New York that a telephone is not essential. What does this mean for millions of people living alone in rooming houses, stashed away in tenements, cut off really from communication often with relatives, with friends or with their doctor or emergency services?

Now some might say you can subsist without a telephone, and probably you can, but it certainly is not living. We say if you are going to have a floor of protection there ought to be a Bigelow carpet on the floor. Let's get it up somewhere, where the basic protection approaches adequacy, and adequacy means a meaningful useful enjoyable life where the older person has a share in the amenities of life which we associate with an American standard of living.

Mr. ORIOL. Thank you.

Your working paper suggests certain improvements within social security and use of general revenues for some purposes.

#### INCREASES IN EARNINGS BASE

Last year Dean Schottland of Brandeis University recommended an increase in the social security earnings base to \$18,000. Is this one of the changes you could see within social security?

Mr. CRUIKSHANK. Very definitely, raising of the wage base is necessary. One, it improves the funding of the system. When you raise the wage base you improve it because you tax directly and then you base benefits on a weighted formula so there is some increment to the financial stability of the system whenever you raise the base wage.

Second, we should be insuring the major part of the income of most of the workers covered under the system. Now when the \$3,000 base was set back in 1935 it covered all of the earnings of the full-time workers for about 96 percent of the people covered under the system. If you covered that same proportion of earnings and the same proportion of people today you would have to go to \$18,000 or \$20,000.

The bill Senator Williams proposes \$15,000 which is a modest approach to this. So if you are going to fund the system, if you are going to enable people who have worked a certain apprenticeship, study, schooled themselves, prepared themselves to make a contribution to our economy which is reflected in a wage above \$7,800, you ought to allow them to insure the whole wage.

Then finally, every time you improve this wage base you add to the progressivity of the tax system, it becomes more nearly a progressive tax. So for all of those reasons we should improve the wage base.

Mr. ORIOL. On that point, perhaps the members of the panel too, could raise this question. At present a worker pays 4.8 percent up to \$7,800.

Mr. CRUIKSHANK. On the OASI part of it, yes.

Mr. ORIOL. I wonder whether the members of the panel have a level that they think this should not go beyond.

Mr. CRUIKSHANK. I don't know. It is pretty hard to say wherever there is a limit, Mr. Oriol.

Mr. ORIOL. It has been suggested that we cannot raise payroll taxes anymore and I wondered how people feel about that. You have touched upon this in discussing the general willingness to pay.

Mr. FLORES. I think one of the keys was discussed by Senator Young very briefly when he asked Mr. Cruikshank if he believed in an actuarially sound social security system. I think people can't understand that as wages go up quite obviously the level of insurance goes up along with it. I think to make a truly progressive tax system out of it it would have to rise and I think people would understand, let's say, a limit tied to prevailing wages.

I realize it is difficult because you have industrial wages, professional wages, and so on. It would be even more difficult to break this down. I think the fact that a progressive application of the tax through a constantly rising wage level would be understood by the workers and should coordinate as long as the benefit portion of the plan would be also increased, they would understand easily.

#### NEGATIVE INCOME BASE

Mr. ORIOL. Mr. Cruikshank, Mr. Joseph Pechman of the Brookings Institute testified before this committee last year, and he suggested that perhaps a negative income tax could be directed at prevention of destitution among the aged and that the social security program could be used to provide benefits related to an individual's previous standard of living. What do you think of that approach?

Mr. CRUIKSHANK. Would you mind repeating that?

Mr. ORIOL. This would be negative income tax to take care of those who are below a certain level while at the same time increasing social security benefits.

Mr. CRUIKSHANK. Well, the whole concept of a kind of two-level approach to social security is one that theoretically at least is acceptable to us. They are approaching this in Canada, for example, a kind of two-level, a basic benefit of a flat amount for which everybody is eligible at a given age and then a social insurance system on top of it.

I have no theoretical objection to such an approach. I do think some of Mr. Pechman's thoughts and suggestions, while they are theoretically sound, depart from a system which is pretty widely accepted and which is pretty well built into our whole way of life here. I think the negative income tax approach is one useful approach to providing security for everybody and avoiding dependence if we could tie that to our present social security system.

I don't see any basic objection but I think we would have some difficulties in reeducating people about the approach.

Now, as a matter of fact, you are coming to this concept. To some extent if we adopt the family assistance plan that has been proposed by the administration, while it apparently has some structural faults in its present form, the basic idea of a uniform amount available based on presumptive need for everybody is certainly a move in that direction.

If we can hold to the sound social insurance principles as a kind of a supplement to that, all right.

I think we are moving in that direction, but whether we will do it by just adopting a negative income tax as such, to my mind is questionable.

Mr. ORIOL. Well, we certainly thank the members of the panel and Mr. Cruikshank for being of help to us.

Mr. ORIOL. Senator Miller has prepared a number of questions for Mr. Cruikshank, and has directed the staff to submit those to Mr. Cruikshank with the request that he supply the answers for the record.

(The questions and answers referred to follow:)

SENATOR MILLER'S QUESTIONS RE STAKE OF TODAY'S WORKERS IN RETIREMENT SECURITY

(Working paper by Nelson H. Cruikshank)

*Q. I am a little concerned over your statement in your letter of transmittal relating to the testimony and article written by Robert Myers, Chief Actuary of the Social Security Administration. Are you implying that Mr. Myers is not entitled to have his position stated or that the Committee is not entitled to receive and consider his position?*

*You say he has introduced an "element of controversy" into this area "which should be studied dispassionately and impersonally." Hasn't the expansion of Social Security usually been controversial?*

*You mention an article Mr. Myers wrote. In what magazine did that appear? Do you consider that article misleading or a distortion of the facts concerning Social Security and in what particulars?*

A. Mr. Myers is certainly entitled to have his position stated and the Committee is entitled to receive and consider his position. Nevertheless, I think there are certain questions of professional ethics raised by Mr. Myers' categorizing the individuals and organizations who are in agreement with him, referring to them as "moderates" and those who do not agree with him as "expansionists." In the latter group he includes the Commissioner of Social Security, and others in his own agency as well as some Members of Congress. It would seem more appropriate for Mr. Myers to thresh out his personal differences within his agency and as a member of that team, refrain from carrying his attacks on his colleagues outside.

With respect to the second part of your question, it is true that issues in Social Security have represented a certain amount of controversy, but they have generally not been characterized by personal attacks of the kind to which Mr. Myers has recently lent himself. It is the personal element which he has introduced into these differences which seems to me to be inappropriate.

The third part of this question inquires about the article to which I referred in my letter of transmittal. The article appeared in the April issue of the *Reader's Digest*, pages 81-85, and is entitled, "Social Security at the Crossroads" and it is signed by Mr. Myers, identified as the Chief Actuary of the Social Security Administration.

In a number of respects, I do consider the article misleading, and in a number of respects, at least by innuendo, a distortion of the facts, particularly with respect to the position he ascribes to his opponents. Let me cite a few illustrations.

The subtitle of the article appears across the top of page 81: "What do we want for our Social Security dollar: A basic 'floor of protection'? or an infinitely expanding—and infinitely costly all-purpose umbrella?" I know of no responsible individual or group that is proposing "an infinitely expanding" or "infinitely costly" Social Security program.

The following is quoted from the article: "These pressures come from a wide range of people, from social planners to politicians, who are all too willing to boost retirement benefits without letting the public in on the economic consequences." He then goes on to say that these people include among others some of his own associates in the Social Security Administration, certain Congressmen, labor leaders, and "lobbyists who parade as independent spokesmen for organized senior citizens." None of the individuals or organizations he cites has ever in fact been guilty of proposing changes in the Social Security program without also spelling out in considerable detail how these changes are to be financed. Mr. Myers' implication that the proponents of liberalizing the Social Security program do so with reckless disregard of the costs is untrue and contrary to the record.

On pages 81 and 82, after listing some of those individuals who differ with his view about Social Security, he makes the following comment: "Undoubtedly, these are sincere men. But they are united in promoting the delusion that we can forever expand the Social Security balloon—yet never fear that it will explode in our faces." This again, is not borne out by the record which will substantiate the fact that all of the individuals whom he cites in his article have made proposals for financing the changes that they advocate.

At the bottom of page 82 Mr. Myers cites the remarkable expansion in homeownership, the amount of life insurance in force, and the extension of private hospital insurance and other factors in support of his contention that Social Security benefits need not be substantially improved. This is misleading because a small proportion of the security arrangements which he cites are held by the elderly and retired people. The findings of the Senate Sub-Committee on Aging show that relatively few elderly retired have incomes or assets in amounts adequate to meet their economic needs. To cite, for example, the amount of life insurance in force as an indication that we need not improve the Social Security system without specifying the distribution of this insurance among younger people still working and older retired people is misleading.

At the bottom of page 82 and the top of page 83, Mr. Myers states: "only about 7% of all our 25,000,000 Social Security beneficiaries now require an additional check from public welfare funds in order to meet their basic needs. Surely, any Social Security setup that can accomplish this must be regarded as generally adequate." I do not mean to imply that the Social Security system has not done a great deal to help remove people out of the poverty status, but Mr. Myers' bland acceptance of the income levels which constitute the eligibility level for public welfare as a measure of an adequate level of economic security, is a serious departure from his usual standards of accuracy. The fact is that a large proportion of Social Security beneficiaries have incomes below the poverty level as defined by the Department of Labor, Bureau of Labor Statistics. The average monthly check for a retired individual is now \$116, for a couple it is \$196 and for widows, \$101. Surely Mr. Myers would not publicly contend that \$1200 a year provides an adequate level of decency and security for an aged widow. And these figures, of course, are average, which means that roughly half of the individuals are below that level.

On page 83 Mr. Myers, in quoting the position of the AFL/CIO misrepresents their position in the following manner. He says: "In place of a basic floor of protection, the AFL/CIO argues that the Social Security system alone 'should provide the basic retirement system by which the elderly can live out their lives in dignity and economic security.'" (emphasis his) Note the subtle misrepresentation that enters here by beginning the quote in the middle of the sentence, after the word "alone." This is significant because the AFL/CIO has never taken the position that Social Security *alone* should provide protection. Organized labor has historically supported supplementary private pension systems and other means of economic security.

Again on page 83, Mr. Myers gives his view of the improvements in Social Security benefits approved by Congress at the end of last year, particularly the 15 percent, across-the-board increase. He says, ". . . this one piece of 'emergency' legislation will necessitate \$4.2 billion of additional outlays for 1970 alone. Over the years, this change will use up the actuarial surplus of the Social

Security trust fund; that is, all the taxes collected through the years that are in excess of required disbursements.

In the strictest actuarial sense, this may be true. But it is clear when read in context that Mr. Myers hopes to create the impression that the resources of the Fund are being drained in order to provide benefit increases that are not really needed. Now no retirement system needs an "actuarial surplus." This is quite another matter from assets of the Trust Funds and in an article in a magazine for general readership, this distinction should be made—unless the intention of the writer is to mislead.

It is interesting to contrast this dire prediction of Mr. Myers with the findings contained in the 1970 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (House Document No. 91-295, 91st Congress, 2nd session) which was submitted on April 2. *Mr. Myers does the actuarial work for the Trustees.* On pages 37 and 38 of this Report there is the following statement:

"After the 1969 amendments, the Old-Age, Survivors, and Disability Insurance system as a whole is in substantial actuarial balance (there is a negative balance of 0.08 percent of taxable payroll on the intermediate-cost basis, which is within the acceptable limit of variation). The Old-Age and Survivors Insurance portion is in substantial actuarial balance (there is a negative balance of 0.08 percent of taxable payroll on the intermediate-cost basis), while the Disability Insurance portion is in exact actuarial balance.

"If the intermediate-cost estimate had been based on a higher interest rate than 4.75 percent (which is the current average being earned by the total investments of the trust funds), but considerably below the prevailing market rate of interest on long-term Government obligations, which was about 7.25 percent in December, 1969, the actuarial balance of the total program would have been higher. Thus, for example, the use of a 5 percent interest rate would increase the actuarial balance of the program by about 0.05 percent of taxable payroll, and a 5¼ percent interest rate would increase it by 0.10 percent of taxable payroll. Similarly, using a 4.75 percent interest rate, a change in the assumed earnings level from that prevailing in 1969 to that prevailing in 1970 would increase the actuarial balance by 0.20 percent of taxable payroll."

The following table is taken from the same report (page 25). Note that for the year 1970 (the first year of the operation of the "emergency" legislation which Mr. Myers deplors in his *Reader's Digest* article, it is estimated the balance in the trust fund will increase by \$4.156 billion. By 1974 it is estimated the trust fund will have a balance of \$62.547 billion—more than twice the reserves actually held at the end of 1969. In Table 21, page 35 of the same report, Mr. Myers estimates the assets of the Old-Age and Survivors Insurance Trust Fund to be in excess of \$200 billion by the year 2025!

From a comparison of the actuarial findings of the Trustees Report with the predictions in the *Reader's Digest* article, one can only conclude that one of them is misleading. In light of Mr. Myers' conscientious actuarial work in years past for the Trustees' Reports, I can only conclude that it is the article that is misleading.

*Q. Isn't the best way we can provide retirement security, not only for our older citizens who are now retired but also for today's workers, to maintain a steady economic growth without run-away inflation? As you know, inflation hits hardest at the retired who are living on fixed incomes and if the present worker could have some assurance that the benefits when he retires will be worth as much as they are now, wouldn't this provide him with greater security?*

A. Certainly a steady economic growth, without runaway inflation, is an essential ingredient in any provision for retirement security, but the assurance that benefits when the worker retires will be worth as much as they are now will by itself obviously not provide security. Even if by some miracle we could stop inflation, whether it is "runaway" or "creeping" inflation, so that the benefit schedules of today would represent the same purchasing power in years ahead we would be falling far short of providing economic security because the current benefit levels do not provide security at today's prices. We need to make substantial improvements in the present benefit levels at the same time we continue to do all we can to keep prices from rising and the cost of living from getting out of hand through inflation.

*Q. I am pleased that you recommend automatic increases in Social Security benefits geared to increases in the cost of living (page 11). As you know, I have been advocating this change in the law for many years now with increasing*

TABLE 13.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, SELECTED FISCAL YEARS 1937-74

([n millions])

Fiscal year	Transactions during period								Net increase in fund	Fund at end of period
	Income				Disbursements					
	Contributions, less refunds	Reimbursements from general fund of Treasury for costs of—		Interest on investments <sup>2</sup>	Benefit payments <sup>3</sup>	Administrative expenses <sup>4</sup>	Transfers to railroad retirement account			
		Noncontributory credits for military service	Payments to noninsured persons aged 72 and over <sup>1</sup>							
Past experience:										
1937-69 .....	\$229,760	\$327	\$226	\$12,010	\$205,082	\$4,527	\$4,524	\$28,191	\$28,191	
1940 .....	550			42	16	12		564	1,745	
1945 .....	1,310			124	240	27		1,167	6,613	
1950 .....	2,106	4		257	727	57		1,583	12,893	
1955 .....	5,087			438	4,333	103	-10	1,098	21,141	
1960 .....	9,843			517	10,270	202	600	-713	20,829	
1961 .....	11,293			631	11,185	236	332	72	20,900	
1962 .....	11,455			541	12,658	251	361	-1,274	19,626	
1963 .....	13,328			515	13,845	263	423	-687	18,939	
1964 .....	15,503			542	14,579	303	403	760	19,699	
1965 .....	15,857			586	15,226	300	436	482	20,180	
1966 .....	17,866			595	18,071	254	444	-308	19,872	
1967 .....	22,567	78		726	18,886	334	508	3,643	23,515	
1968 .....	22,662	78		899	20,737	447	438	2,018	25,533	
1969 .....	25,953	156	226	1,014	23,734	465	491	2,658	28,191	
Estimated future experience:										
1970 .....	29,774	78	364	1,315	26,357	495	523	4,156	32,347	
1971 .....	32,582	78	371	1,477	29,708	524	562	3,714	36,060	
1972 .....	35,861	108	343	1,813	30,847	547	629	6,102	42,162	
1973 .....	39,180	109	316	2,207	31,960	576	617	8,659	50,821	
1974 .....	42,826	110	266	2,817	33,084	601	608	11,726	62,547	

1776

<sup>1</sup> Under sec. 228 of the Social Security Act, the trust fund is reimbursed from the general fund of the Treasury for the cost of payments to beneficiaries with less than 3 quarters of coverage.

<sup>2</sup> Includes net profits on marketable investments and, for 1958-70, adjustment for interest on administrative-expense transfers between the old-age and survivors insurance trust fund and the other social security trust funds (see footnote 4 below).

<sup>3</sup> Beginning in 1967, includes relatively small amounts of payments for vocational rehabilitation services furnished to disabled persons receiving benefits from the trust fund because of their disability.

<sup>4</sup> Total excludes administrative expenses for the period ending Dec. 31, 1939; for that period, appropriations to the old-age and survivors insurance trust fund (designated as the old-age reserve account prior to Jan. 1, 1940) were approximately equivalent to tax contributions collected by the Treasury Department less administrative expenses. Beginning in 1954, includes costs of construction of office space for the Social Security Administration. For years 1957-65, expenses incurred by the

Department of Health, Education, and Welfare under the disability insurance program were initially charged to the old-age and survivors insurance trust fund; reimbursements, including interest, were then made from the disability insurance trust fund in the following fiscal year. For 1966, expenses incurred under the disability insurance program, the hospital insurance program, and the supplementary medical insurance program were initially charged to the old-age and survivors insurance trust fund; reimbursements, including interest, were made from the disability insurance trust fund and the hospital insurance trust fund in June 1966, and from the supplementary medical insurance trust fund in December 1966. Beginning in 1967, expenses incurred under each of the 4 programs are charged directly to the appropriate trust fund on a current (preliminary) basis, with a final adjustment made in the following fiscal year.

Note: In interpreting the estimates, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared in January 1970.

*bi-partisan support. Isn't this the best way to take the Social Security system out of politics and guarantee today's workers that the Social Security benefits will not be eroded away by inflation?*

A. In the short summary of the Gilbert-Williams bill, appearing on page 11 of my working paper, I mentioned, as you indicate, the proposal for automatic increases in benefits geared to increases in living costs. There are other provisions in this bill which further support this proposal and which tend to tie the benefits to the *standard* of living rather than just the cost of living. These are the automatic increase in the wage base and the provision for basing the average wage on which benefits are calculated on the high ten years of earnings. All of these proposals would go into effect after the basic improvements in benefits are enacted. In short, we do not believe simply providing for increases in benefits commensurate with increases in cost of living are enough at this time. We should first substantially improve the benefit structure, then make changes to keep that structure in line with increased costs of living and with the constantly improving standard of living in America.

Q. *Your thesis in the working paper seems to be that the Social Security system should be the base for our entire retirement system. How large should that base be? On page 3 of your working paper you consider the question of whether today's workers can save enough for their own retirement and you imply that they should not be asked to do this. You then ask the question of what would be the effect on the economy if every family attempted to save on a scale to provide their own retirement. I can suggest one answer: it would put a stop to inflation. What is wrong with looking to the individual to make some effort to provide for his own retirement security?*

A. In reply to the first part of this question, I would say that Social Security should provide a married couple at normal retirement age with about 60% of their regular earnings during their working years. Of course, for those at the very bottom of the wage scale, we would need minimums that would provide a higher percentage. We have to meet the basic standard of adequacy for all persons. Within a social insurance system, it is also advisable to have a cutoff point for determining the benefit level at the upper ranges of the wage scale. I do not for a moment, for example, suggest that \$100,000-a-year executives be given Social Security of \$60,000 a year. The top ceiling on earnings used for computation of benefits should be at a point that covers the total yearly earnings for the vast majority of full-time workers. So we should, at the present time, be basing our Social Security benefits on wages up to about \$17,000 or \$18,000 a year. This figure would cover the total annual earnings of about 90% of the workers under the system.

The question as to the role of savings in old age security is of somewhat a different nature. The thrust of my paper was that private savings could not and should not be the sole basis for old age security though they do have an important and an appropriate role to play as supplementary to a social insurance system. The reason for this is, to some extent, a matter of simple arithmetic. If individual workers were to provide for their old age security by individual private savings, each worker would have to lay aside enough money to provide for the maximum number of years that he might have to live in retirement. This maximum is now somewhere between 90 and 100 years although the Social Security Administration reports there are a great many persons drawing benefits who are now over 100 years of age. But take age 90. If individuals were to provide for their old age security through private savings; they would each have to assume they might live to be age 90. So they would have to provide for 25 years of income after retirement age. Now when this risk is averaged out and the principles of social insurance applied, the total amount of resources required are those necessary only to meet the actuarial expectancy of life after age 65, which now is about 13 years for men and 16½ years for women. This reduction in the sum total of resources necessary, of course, is only a part of the arithmetic of the matter as all the techniques of insurance can be applied under a social insurance system which are not available in the case of individual savings. What I am saying, of course, is that if individuals had to save for their old age, the total amount of savings withdrawn from current disposable income would be many times the amount that is withdrawn for the same degree of protection provided through an insurance system.

I thoroughly agree with your comment that provision for old age relying on individual savings would put a stop to inflation. But I would point out that it would bring a massive deflation, and while we are now confronted with the

dangers of inflation, we must not forget that deflation can be just as harmful and hurt just as many people as inflation.

As to the final aspect of this question, I would say there is certainly nothing wrong with an individual making some effort to provide for his own retirement security. As a matter of fact, it is difficult to draw the line between individual effort and group effort. When individuals pay their Social Security tax, this is an individual effort. Of course, it is also a part of a group effort and the advantages of this, as a basic system for economic security in old age, does not foreclose the possibility of supplementary individual efforts through private savings, life insurance, homeownership and all of the other means available to an individual in a free society.

*Q. I was interested in your comments (page 7) concerning the increase in the proportion of workers retiring before age 65 and the pressure this puts on today's workers' pay checks. I agree with your comments on page 9 that today's workers should not have to pay the cost of early retirement for those who voluntarily choose to retire early. How would you differentiate between those who voluntarily retire early and those whose retirement is involuntary?*

*How do you reconcile your position on page 9 concerning early retirement with your recommendation on page 11 for improved benefits for workers retiring before age 65?*

A. I commented in my oral remarks on the working paper about the fact that since at the present time about half the men retiring under Social Security are retiring before age 65 with benefits reduced to very low levels, there is a good deal of concealed unemployment in this early retirement. It appears to many of us that the very excellent basic Social Security system we have is being called on to carry burdens for which it is not basically designed. The fact that men accept these very low benefits actuarially reduced from their primary benefit amount arises, in our view, partly because of the inadequacies of our unemployment compensation system, which is the weakest part of our whole social insurance structure. Social Security, good as it is, cannot meet all the deficiencies of our economic system. The only real solution to this aspect of the problem is full employment, but we are now being faced, currently, with steeply rising unemployment.

It would be very difficult and probably impossible to differentiate between men who are forced to retire early and those who choose to retire early. In a period of full employment we could pretty well assume that those retiring early with reduced benefits did so voluntarily, and the division between the two groups would therefore practically be automatic.

Certainly under the present circumstances, this has to be a rather theoretical approach. Consequently, when we ask for improved benefits under Social Security, we therefore must ask that there be a liberalization in the benefit structure for those who are retiring early, as I do on page 11, as your question points out. We are not opposed, however, to an actuarial reduction in the early retirement provisions, but they should be actuarially reduced from a higher base primary benefit amount.

*Q. On the top of page 9 in your working paper you say there is little social justification in paying high minimum benefits to people such as government employees who receive a civil service annuity in addition to their Social Security benefits. You recommend that an increase in the minimum benefit be accompanied by appropriate eligibility requirements assuring that the costs thereof are socially justified. How would you go about doing this?*

*Isn't this one place general revenues could be appropriately used to pay the cost of increasing the minimum for these persons if that is thought desirable or for those whose contributions to Social Security do not actuarially fund the benefits?*

A. It would seem entirely reasonable to me to provide a sliding scale of minimum benefits under Social Security giving the highest minimum benefits only to those who had been under the Social Security system for 20 years, for example; a somewhat reduced minimum for those with only 10 years of coverage; and still less for those meeting only the minimum requirements of coverage.

General revenues could, indeed, be appropriately used to pay the cost of increasing the minimum as you suggest. Rather than earmark general revenues for this particular class of workers, however, it seems to me better to have general support for the system from general revenues, with requirements similar to those I have indicated to establish eligibility. The principle upon which eligibility for a high minimum should rest, it seems to me, is that we should avoid



paying duplicate benefits. This is consistent with the notion of "presumptive need." The operation of the principle of "presumptive need" avoids the necessity of an individual needs test. It would involve some administrative complexities, but these are not impossible to work out once we agree on the basic principle.

*Q. I was very interested in your comments regarding the retirement test. As you may know, I have introduced a bill to raise the annual exempt earnings from \$1680 to \$1800. My bill would also provide that there would be no reduction in Social Security benefits until the combined earnings and other retirement income exceeded \$3,000. I would appreciate your comments on the approach in my bill.*

A. The approach of this proposal seems to me to be constructive, but it still leaves unanswered the practical issue of cost in terms of allocation of resources. For the great bulk of people under Social Security, the effect would be to establish a \$3,000 earnings test. This would rase most of the objections that can legitimately be directed to a flat \$3,000 earnings test. I would roughly estimate that the cost of this proposal would approximate \$2 billion a year with the advantage again, going to the relatively small proportion of people who least need this kind of assistance. I cannot stress too strongly or even too frequently that the basic need to meeting the requirements of by far the greatest number of people is to raise the Social Security benefit levels, rather than to relax the test of retirement.

*Q. On page 11 of the working paper you state that the benefit levels have not been significantly raised since 1950. My records show increases since 1950 as follows:*

*1952—not an across-the-board increase, but amounting to about 10%.*

*1954—not an across-the-board increase, but amounting to about 15%.*

*1958—7%.*

*1965—7%.*

*1967—13%.*

*1970—15%.*

*Total—about 67%. Is this not "significant?"*

Since Medicare became effective in mid-1966, this also had the effect of approximately a 15 percent increase. Should this not be taken into account in evaluating the "significance" of benefit increases?

A. The increases in Social Security have in one sense been significant, and we would not wish to belittle them. In fact, since the increases you cite should be figured on a compound basis, they come to a little over 88% rather than 67%—the latter figure representing a simple total of percentages. But a number of other factors need to be taken into account in evaluating them.

First is the fact that the percentage increase is based on a very low figure.

Secondly, the increases cited have not benefitted all retirees equally. Referring for example to table 10, page 25, of the working paper prepared for your committee in March, 1969 (Economics of Aging; Toward a Full Share in Abundance) we find that workers who retired in December, 1950, received then, on the average, a benefit of \$49.50 per month. Those same workers, today—with all the increases, receive an average benefit of \$78.80. This is an increase of only 59%.

Most importantly, impressive as the increases cited appear to be, they have not nearly kept pace with other indexes of the American economy.

Wages for all non-agricultural workers in production averaged \$1.34 per hour in 1950, \$3.16 per hour in 1970—an increase of 235.8 percent.

Gross National Product in 1950 stood at \$284.8 billion. In the first quarter of 1970 it was at the rate of \$960.4 billion—an increase of 338.5 percent.

By these figures we can see that the increases in Social Security benefits, while indeed significant, have been relatively modest. If Social Security is to provide protection commensurate with the rising standard of living in dynamic America, there must be far more substantial increases.

Medicare, as you suggest, has of course contributed substantially to the security of older people. But Medicare was only a first step in removing the threat of the cost of illness from the elderly. It leaves wide gaps in the shield of protection. I indicated what these major gaps are in my working paper. We should move without further delay in correcting these shortcomings.

Mr. ORRILL. By the way, Senator Williams was anxious to let you know that the reason he had to go to the other hearing is that he

is taking testimony from Secretary of Labor Shultz there today in connection with the UMW election. It was just a conflict of time and it could not be arranged in any other way.

Thank you very much.

Mr. CRUIKSHANK. Thank you, Mr. Oriol.

Mr. ORIOL. Now we would like to call Dean Wilbur Cohen, School of Education, University of Michigan and also a former Secretary of Health, Education, and Welfare.

Dean Cohen, while you are being seated here, Senator Williams wanted me to show you this old bound transcript of a hearing conducted on June 16, 1959, which was the first day of hearings before the Subcommittee on Aging of the Committee on Labor and Public Welfare, predecessor to this committee.

Our first witness was Professor of Public Welfare, Wilbur Cohen. He wanted to point this out to you.

**STATEMENT OF HON. WILBUR J. COHEN, DEAN, SCHOOL OF  
EDUCATION, UNIVERSITY OF MICHIGAN**

Mr. COHEN. Maybe I better look and see what I said then.

Mr. ORIOL. It was all good.

Mr. COHEN. First, Mr. Oriol, let me say how delighted I am to be here and especially in light of what you said as being the first witness in 1959.

As you know, I have had a long interest in the problem of aging and was a staff member of the Committee on Economic Security in 1934 that drew up the original social security law so that my contact with this program is now slightly over 35 years and I have retained a great interest in this matter.

I want to compliment you as director of the staff and Mr. Miller about the excellent staff work that you have done. I followed the reports that have been put out and I think they are excellent. I find that in general what Mr. Cruikshank has said in his report is very illuminating and in general I agree with the observations he has made.

The other reports that have been put out with the help of Miss McCamman, Professor Schulz, Mrs. Brewster are really very excellent documents which I am sure will be very useful to all the people who are working in this field. I commend them and you for what you have done.

I would like to point out that this is an extremely auspicious moment for the committee to be reviewing where we go in the future because on August 14 of this year we will commemorate the 35th anniversary of the Social Security Act. I believe the 35 years that have gone by have indicated that social security is now, you might say, part of the establishment although when originally created there was a good deal of controversy about it and as you know, major controversy in the 1936 presidential election and a major issue as to its constitutionality in 1937.

I dare say now that it is one of the institutions which is so widely accepted that in principle there is really very little basic controversy about the necessity of having such a system. There are, however, still substantial differences about the level of benefits and the direc-

tion that we ought to go in and I would like to comment on those this morning.

#### FIVE MILLION AGED POOR

However, I should like to point out that after all the years of work on this problem, there are still about 5 million aged persons 65 and over whose total incomes result in their being below the so-called poverty line as established by the Social Security Administration, the Office of Economic Opportunity, and the Bureau of the Budget in their recently reported analysis of poverty in the United States.

Of course, the 5 million aged who are in poverty represent about 25 percent of the roughly 20 million aged who are in the age group 65 and over.

I think it is tragic in the United States that we have this situation. I believe that we have the resources as well as the institutions to overcome that. I believe therefore, that it is important on this 35th anniversary year of social security that we make a commitment both in terms of principle and in terms of public policy, in terms of a statutory commitment that within the next few years we will eradicate poverty among the aged of our country.

I believe that is a goal that can be achieved and I believe it is one that we should dedicate ourselves to at this time.

I would therefore like to talk this morning about some of the improvements in social security and in old age assistance, medicare and health benefits that I believe are important to our senior citizens and to our country as a whole.

#### FIFTY PERCENT INCREASE

First, in connection with social security, when I left office I did make a recommendation to my successor and to the Congress that at that time we should make as a goal in relation of prices and wages as of that time an increase in social security of 50 percent above the level that existed at that time.

We have already enacted a 15 percent increase and I believe that as Mr. Cruikshank said, that is a good down payment on the objective and we have about 35 percent yet to go. I believe that that 35 percent could be achieved in the next 4 years and I believe it is a reasonable goal for the Congress to dedicate itself to at this time.

Now, I believe that in the legislation that is being considered over on the House Ways and Means Committee, which will come to the floor of the House and then to the Senate, that there ought to be improvements in social security this year equivalent to at least 15 percent, that is another 15 percent increase.

I do not necessarily believe that this should be all across the board as was in the last increase because there are some specific changes that are necessary in order to eradicate or eliminate inequities and special problems. I would favor at least a 5 or 7½ percent increase across the board to everyone recognizing the kinds of price changes that are occurring but then the remaining amount should be allocated to a specific series of changes, some of which President Nixon has already recommended, such as increasing the widows benefit from the present 82½ percent to an amount equal to the husband's benefit. Widows are one of the group which have

the lowest income and the highest rate of poverty and I believe there is a special need to consider further improvements in the widow's benefit.

Second, there should be an age 62 computation for benefits for both men and women which would substantially increase benefits for millions of persons at the present time. I wholeheartedly support that recommendation.

Third, I believe that the computation of the average wage in social security needs modification. At the present time the average wage upon which benefits are computed is to utilize wages beginning on January 1, 1951, up until the time of retirement except that 5 years of the lowest or no earnings may be dropped. That means that within the next year or two 20 years will have passed and if 5 years are dropped out that will mean that individuals will have their wages for benefit purposes computed on 15 years.

The early time of that period in the early 1950's represents a low period of earnings compared to now and I believe it would be proper to drop out additional years so that individuals would have their average wages computed on a more representative and somewhat higher period.

As you know, the Congress in recent changes in the civil service retirement program modified the best 5-year arrangement to go to the best 3 years and I believe that in general the principle of using a short but more recent period is desirable and I favor our ultimately going on the basis of the best 5 or the best 10 years of earnings, rather than the so-called life-time earnings with the 5-year dropout.

But if that costs too much money, I would certainly suggest dropping out an additional year for each 10 years of service so that individuals would, let's say, have 6 or 7 or 8 and ultimately 10 years of dropout rather than the present situation which would only mean that after 20 or 30 or 40 years the individual would only have 5 years of dropout.

That would certainly have a substantial result in improving the benefit level.

#### RETIREMENT TEST

Now we come to the matter of the retirement test which has been one of the most misunderstood and most controversial issues in social security. I certainly want to say that I commend the committee for the publication of Mr. Cruikshank's very excellent memorandum which is in the back of your committee print report today called "The Retirement Test in Social Security." I am hopeful that more and more people will read that and I wish to say that I subscribe wholeheartedly to the factual analysis, to the observations, to the conclusions that Mr. Cruikshank has made.

He points out, as you know, in that study that to completely eliminate the retirement test which many people advocate would cost about two-thirds of a percent of taxable payroll and add about \$2½ billion of cost onto the system giving it to the 10 percent of the beneficiaries who need the increased benefit the least as compared, let's say, with widows and other groups with special needs which he identifies in his document.

I do recognize that among many members of Congress and many members of the public generally, they believe that the retirement

test ought to be eliminated completely. That is a very widespread point of view that is fostered by newspapers and magazines which erroneously assume that people who are now retiring have completely paid for their social security.

That is not true. For large groups of individuals have only paid 10 or 15 percent for the total cost of their benefits, assuming an average life expectancy. Therefore it cannot be argued that they ought to get their benefits at age 65 because "they have paid for them" meaning they have paid entirely for them. They have only paid a part of the cost and they have not paid the cost that would involve the extra two-thirds of a percent of payroll which has not been a part of the system which would be necessary if the retirement test were completely eliminated.

Mr. Cruikshank has also identified other factors in this connection, including the fact that only about 1½ million individuals would receive substantially higher benefits while some 16 million would not receive any increase by virtue of the repeal of the retirement test.

I believe therefore, that this document is a very important one. The matter will again come up in social security as it does every time about modification of the retirement test. I wholeheartedly support the recommendation that the retirement test should be liberalized to go to approximately \$2,000 and the offset provision of 50 cents or against each dollar of earnings should be provided all the way up on earnings.

There may even be other desirable changes in the retirement test. I would favor at some time reducing the age of 72 at which the annuity is payable to possibly age 70. But to reduce it to 65 now and add several billion dollars more onto the social security system when we have such substantial unmet needs in other areas, does not seem to me to be wise at this time.

Whether it would be desirable to do so 10 or 20 or 30 years from now I think that is a matter for Congress to decide in terms of allocation of resources at that time.

I would like to conclude this aspect of the social security to say that I strongly favor simplification of the retirement income form on the income tax.

Mr. ORIOL. Dean Cohen, before we leave the retirement test, are there any major differences between President Nixon's proposal for changing it and those that you proposed?

Mr. COHEN. I think not. I think they are substantially the same, as I recall.

Mr. ORIOL. And you have no major conflict?

Mr. COHEN. Not on the retirement test, no.

Mr. ORIOL. To go back to an earlier point, you suggested that the 50-percent increase over 1969 levels be achieved over a period of 4 years. The Williams-Gilbert bill will do it in 2 years. What is your basis for 4 years?

Mr. COHEN. Well, I think that my general approach was to take approximately three 15 percent jumps and the cumulative effect is 50 percent. That is mainly based upon taking a look at the reality of the situation in terms of economic needs and congressional attitudes and it is expressed by the fact that Congress did this last

time enact a 15-percent increase. I think that pretty much represents what is deemed to be appropriate at one given time. However, this is always a matter of resources that are available. If there were "no increase in the cost of living whatsoever" one could maybe assume 10 percent would be reasonable in a given 2-year period.

#### COST-OF-LIVING ADJUSTMENTS

If there were an inflationary period even greater than today, I might favor 20 percent. Those two factors, that is, the amount that you take into account in relation to the cost of living, plus what is a basic improvement in benefits in relation to earnings, could vary at different times and I am not expressing an attitude for all time. But 15 percent is appropriate at this time, I should add, but this is, of course, a controversial matter. I do not favor at this time increases in the benefits automatically by cost of living. That has been recommended many times and there are many bills in Congress on that. I do not favor that kind of legislation because it tends to foster an attitude that the benefits are now adequate or appropriate and that all that is needed is to adjust them to cost of living.

I believe that that would be a very misguided and a very backward step because what we need to do is first to bring the level of benefits up to some level of adequacy and then I believe that the aged should share not merely in the price increases that occur but in the productivity of the Nation as expressed by earnings and not merely by prices.

I, therefore, believe that when you are talking, as we did earlier, about a bold, new innovative approach, the most outworn and inadequate and incomplete and backward type of approach is to just adjust benefits to the cost of living. We need a concept that the aged, the blind, the disabled, the poor shall share in the total resources of this Nation and as our productivity increases they share likewise in it and not be cut out of it.

I look upon that in the same way as an earner or as a parent. When my wages were increased I didn't say, "Now, my wife won't share in them and my children won't share in them because I was the worker, they are the dependents."

Naturally, I looked at it in terms of sharing this increased earnings and my productivity or the productivity of the Nation with my unit, the family.

Mr. ORIOL. Automatic increases. Dean Cohen, you don't rule out automatic adjustments? You say at first we should raise the general level, especially minimum, to a more reasonable level and then perhaps have an automatic adjustment mechanism on productivity?

Mr. COHEN. Yes, based on earnings rather than on prices. In other words, I do not believe that prices are the measure increasing level of productivity. It may well be that you have to give some weight to price changes from time to time. Quite frankly, at the present time, I would do what Congress had done so far on an ad hoc basis, take a look at what happened, change them in relation to prices and then add a productivity increase.

Until we have a better measure of the adequacy of the program, I would defer any automatic increase solely in relation to prices.

## TOO MUCH MONEY SPENT ON ELDERLY

Mr. ORIOL. Dean Cohen, you have mentioned available resources several times. The Washington Post of January 24 quotes Secretary of Health, Education, and Welfare Finch as saying, "We already spend too great a share of Federal money for persons over 60."

How do you feel about that comment?

Mr. COHEN. Well, I must say I don't agree with my distinguished successor on that point. I believe that we are not spending enough on our senior citizens. I believe we are not spending enough in connection with our other groups in the population, the children and the middle aged. I believe that if Secretary Finch believes that sincerely that he ought to support, for instance, the amendments that Secretary Ribicoff has proposed which would greatly increase the amounts for the children and the middle aged single people. I don't think the children are getting enough and I strongly favor additional incomes for both and I think we have the resources in this country to do so.

Mr. ORIOL. Dean Cohen, I am sorry to interrupt your prepared statement so often but another question occurred to me. As passed by the House, the family assistance program would set a higher minimum level for what could be called welfare payments than we now have for social security payments. Do you think that will cause problems?

Mr. COHEN. Well, I don't think that it should cause any problems and if you would like me now I would be glad to discuss the entire matter.

Mr. ORIOL. Fine. Why don't you go ahead with your statement.

## SIMPLIFY RETIREMENT INCOME CREDIT FORM

Mr. COHEN. I plan to discuss that in some detail in a moment.

I was speaking about the problem of simplification of the retirement income form in the income tax. This is notwithstanding capital gains, notwithstanding self-employment income, notwithstanding anything else in the income tax. This is the most complicated aspect of the Federal income tax to understand and to comprehend. As others have said, and as I have said before, the Senate Committee on Finance and the House Committee on Ways and Means, I believe that many aged persons do not take advantage of it simply because they cannot understand how to even make out that form. The form is a model of complications and I defy any member of the Ways and Means Committee or the Finance Committee or the Treasury staff to be able to make out that tax form.

Mr. ORIOL. Dean Cohen, on that point, Senator Williams was so disturbed about the same problem that he had a hearing here on April 15, and an Assistant Secretary of the Treasury told us that he would have trouble filling out the retirement form.

Mr. COHEN. I understand Assistant Secretary Edwin Cohen has said that he favors changes and I am glad that both Cohens agree on the same thing. I hope very much that your committee and the other committees will press the Treasury Department on this as a long overdue reform.

I believe that I have recommended changes in it now going back at least 5 or 7 years. The committees all recognize that it needs changes and each time it has come up there has been some problem that has put it aside in favor of other immediate or important matters.

I believe that you would be doing a great service for our senior citizens if the policy and the form could be modified.

I would also like to comment in one respect about the thought that I had in connection with the point that you asked the previous witness.

I do favor, myself, improving the social security benefit and to the extent that that takes additional money and employer contributions to finance part or all of it I certainly would favor those kinds of increases.

#### REFUND PAYROLL TAXES FOR LOW-INCOME

I do, on the other hand, favor amending the law to give a refund of taxes for individuals with very low incomes. I believe we must recognize that as the payroll tax goes up the rate, particularly, could become more onerous on people who have total incomes below the poverty line. I would not exempt them from the payment of the tax because that would establish a very complicated procedure but I would refund the tax. This would thus in effect provide for an indirect general revenue subsidy to the system since that would be a repayment out of general revenues rather than out of the social security system. So, thus, if the tax rate were going up somewhat and you had an exemption or a refund, I should call it, of the lower amount and the total maximum earnings base went up to \$15,000 or \$18,000 as you suggested, it would result in a somewhat more progressive, or I should say somewhat less regressive type of system.

I believe those general considerations to our tax policy ought to be brought together in terms of financing the system.

I will have a little bit more to say on that when I discuss Medicare.

I would like to point out, as Mr. Cruikshank has, that when you improve social security benefits you are improving them not only for the aged but you are improving them for disabled persons below the age of 65 and you are improving them for widows, orphans, and individuals where the breadwinner has died. This is a family income program that covers individuals of all ages. So, sometimes, as Secretary Finch has referred to when some persons say don't improve social security because that is only for the aged, it overlooks the fact that the improvements for the disabled and the improvements for children and widows and families is an important part of the maintenance of family life in this country.

#### LIBERALIZE DISABILITY REQUIREMENTS

I would favor, however, in addition to the changes that are across the board like a 15 or 20 percent increase which will affect all beneficiaries, the possibility of reducing the waiting period among the disabled from 6 to 3 months and at age 55 changing the definition in disability which now says that you have to be unable to engage in any substantial gainful work to have a definition that would be



be inability to engage in work similar to what the individual has done in the past because at some age, 55, 57, 60, an individual who cannot any longer do his work in the job that he is in has very little likelihood of being able to get any work outside and if he can, why he certainly ought to be permitted to have some earnings to supplement them as the case now.

I believe that with the larger extent of chronic illness and higher performance and standards for work in many areas it would be very desirable to reexamine the statutory conditions which now relate to disability insurance.

In connection with the survivors insurance program, or what are monthly life insurance payments, which is the third type of cash benefits, I would like to point out, as I have already any increase across-the-board would also involve payments to widows and children.

#### NATION'S LARGEST EDUCATIONAL SCHOLARSHIP PROGRAM

It should be pointed out that with the amendments that were enacted during the 1960's, the survivors benefit provisions now provide for the largest educational scholarship program in the Nation, which is the provision that an individual can receive benefits until age 22 if he or she is attending college which has permitted several hundred thousand boys and girls to go on to college and receive the social security benefit that they are entitled to, which previously was only up to the age of 18. So, in this way again, social security, which most people, and as I believe Secretary Finch also in thinking of it as an old age program, overlooks the fact that there are probably more young people able to go into college by virtue of their social security benefit than any other single financial aid program or scholarship in the United States.

I believe this is an important point.

#### WELFARE REFORM

Now, I would like to turn for a moment or two to the area of public welfare or public assistance that you asked me about a few moments ago.

As you know, there are about 2 million individuals in this country whose incomes are so low or nonexistent that they are now in receipt of public welfare through State welfare agencies. In addition, there are about a million persons who are disabled or blind, making a total of 3 million individuals in the so-called adult categories who are retired individuals with low incomes.

The amount of the income that these people receive in practically all States is very inadequate and should be substantially increased.

I, therefore, favor very enthusiastically the provisions in the so-called Welfare Reform bill which is now pending before the Senate Finance Committee to provide for a combined category of the aged, blind, and disabled with a Federal minimum standard in it. The standard which President Nixon and Secretary Finch recommended was \$90 a month. The House Ways and Means Committee, and the House of Representatives raised that to \$110, and I believe that is

an extremely important step forward. I most enthusiastically support the concept of the Federal minimum and at least that \$110 minimum which would be \$220 a month for a couple. As a matter of fact, I believe that in the course of time we could increase that \$110.

Now, you asked me the question, will there be a difficulty if the minimum in the welfare program is higher than the minimum in social security?

I think that it need not be so because I think the welfare program should establish a minimum which involves total income in the welfare program and if you have a \$110 minimum and you receive \$100 from social security, you would only get \$10 from welfare. This is the concept of a minimum income as I think it should be whereas social security is the concept of making a payment to which you can add anything you have from any other sources.

I, therefore, favor starting with \$110 minimum and raising that as fast as possible.

#### RIBICOFF AMENDMENT

I do, however, support very enthusiastically, also, Senator Ribicoff's amendment, amendment No. 590, which he introduced which increases the Federal share for this purpose above the House-passed bill so that the State would be able to supplement and add to the \$110.

The \$110 is only a Federal minimum to which the States may add more if they have the resources.

Senator Ribicoff also reduces the age in his amendment from 65 to 60 and to age 50 for widows. Those seem to me to be very desirable amendments in view of the fact that in the administration's reform bill they have omitted single people or couples who do not have children or who are below the age of 65. I believe those two amendments are desirable.

Finally, in his amendment, the one which I most vigorously support, is his amendment that eventually the Federal Government should finance in its entirety and administer the adult categories including those for the aged by the Federal Government and the Federal Government pay 100 percent of the cost and administer it with a simplified declaration of income along the lines which I recommended in my regulation before I left office.

Secretary Finch has endorsed that simplified declaration of income. I hope it will go into effect under the present program on July 1, and I believe it ought to be made a policy for the entire United States and be administered by the Federal Government, the Federal Government paying the entire cost.

This would take a tremendous burden off the States and result, I think, in a appreciable increase in adequacy of benefits and give the aged, whose incomes are inadequate, the kind of dignity and respect or simplified program that is desirable.

Mr. ORIOL. You say you hope this will go into effect by July 1. This is a matter that can be done entirely by regulation, not legislation?

Mr. COHEN. Yes. The regulation that I issued before I left office set certain dates. Secretary Finch has modified those dates somewhat and I find that perfectly reasonable, and in the light of administra-

tive difficulty he has done so. If there is no further change in the regulations and subject to his approval that in an individual State it is workable, I believe for old age assistance it is supposed to go into effect on July 1 of this year. I certainly think that this committee ought to take a look at where the States stand right now and what they are doing to comply with that regulation.

I would hope there would be no delay in doing so and that irrespective of any further change in the law it would become national policy.

#### FEDERALLY-OPERATED WELFARE SYSTEM

I will say quite honestly one of the reasons why I issued that declaration was in the hope that it would be successful and it would lead the way to a Federally-operated system and a federally-financed system so that that could be workable.

Under the existing law I don't think you could have really had a very effectively administered Federal system on the individualized type of needs test but with the declaration of income, I think it is administratively feasible.

I would like to point out that most of the governors of the States support the idea of a completely federalized financing and federalized administered system for old age assistance in the adult category. This now represents, I think, a general agreement and I would hope that in the welfare reform bill or in the pending social security amendments that Congress would take this up at this time.

I think it is one of the areas where we in the last few years have got a more generalized agreement.

I would also like to support two other amendments that are pending on the welfare bill that I think are of concern and to your interest.

#### McGOVERN FOOD STAMP AMENDMENT

One is the amendment by Senator McGovern, and I believe a number of members of this subcommittee, which would provide for the food stamps being sent automatically with the welfare check instead of going through all of the complications of asking the individual to set aside some of his very limited income and then get the stamps. Senator McGovern and about 25 other Senators of of both parties have introduced an amendment which would apply this both to the children as well as to the aged, the blind, and the disabled.

I believe it is a very meritorious amendment. I believe there is a great deal of support in the House as there was in the Ways and Means Committee for this, and I hope the Senate will adopt this amendment. It would save a great deal of administrative costs now involved in the administration of the food stamp plan but in addition by making it automatic it would provide food stamps to many aged people who today don't get them because they cannot see a way to get the money from their check set aside to buy the food stamps and, therefore, they are denied, in effect, the value of the food stamps.

Senator McGovern's amendment, in my opinion, would be a very important step forward and as far as the Senate is concerned it

embodies a principle, which has already been accepted in the Senate passed amendments on the food stamp program, and I hope would be adopted.

#### ELIMINATE POVERTY BY 1976

Finally, I support Senator Ribicoff's amendment No. 584, in which he sets as a goal in 1976 the elimination of poverty in the United States. This goes back to my original point that I believe we could eliminate poverty among the 5 million aged as well as the 20 million who are not aged, and in that way I think we comply with what Secretary Finch was trying to get at which was eliminate poverty for the children and the middle aged and the aged. Poverty, wherever it rears its ugly head is a scandalous, unnecessary aspect in our society. Therefore, I would hope that Secretary Finch, when he comes back to the Finance Committee, would support that amendment of Senator Ribicoff. Among other things it requires a report from the Secretary of HEW as to how it would be done, and I believe this is the time to make that kind of a commitment.

I would now like to turn, in conclusion, to the fact that I believe we must make some further amendments in the Medicare program. While there are lots of amendments being considered, these are within the scope of the Ways and Means Committee and the Senate Finance Committee.

I want to suggest three that are of a broad character.

#### MEDICARE COVERAGE FOR DISABLED

One, I believe the disabled under the age of 65 should be brought into the Medicare program. I understand that the Ways and Means Committee has been considering this matter. As you know, there was a special advisory committee established by statute which made a report and a majority of them reported that the disabled should and could be brought under the Medicare program. I favor doing that and I favor doing that this year. I believe the disabled are as necessitous as the retired aged and, in some respects, they are worse off, their per capita income is lower and they have even more difficulty retaining their Blue Cross and Blue Shield and commercial insurance. So I think the need is very demonstrable.

#### PRESCRIPTION DRUGS

Second, I favor the beginning of insuring prescription drugs under the Medicare program for the aged and the disabled. I believe that this must be carefully designed in such a way that it is administratively feasible. I do recommend getting into this area which is of very great importance to many aged and disabled persons where they have continuing chronic illness.

Mr. ORIOL. Following up on that point, your task force on prescription drugs reported—when was it—January of 1969?

Mr. COHEN. Yes, sir.

Mr. ORIOL. And shortly thereafter, I think Secretary Finch established a committee headed by Dr. Dunlap which, in effect, seems to call for more study. Do you feel additional study is needed?

Mr. COHEN. Well, I didn't interpret it that way. I interpreted their view to be quite consistent with mine; that is, I did not recommend covering all prescription drugs. This involves millions and millions of pieces of paper as far as prescriptions were concerned and at the time I worked on it I didn't feel our computer system could really handle that administratively.

Second, I was concerned about the possible overutilization of certain types of drugs, and I recommended, therefore, a rather limited concept of maintenance type prescription drugs where there was continuing illness or disability. As I interpret Professor Dunlap's report they certainly went as far as I did and perhaps farther, but suggested as I did that you ought to take a step and then study that experience to see whether you could go forward. I certainly would favor that.

I do not favor at this time insuring all prescription drugs because I would be concerned just what the financial as well as the administrative effect would be.

Mr. ORIOL. I was referring to the fact that they didn't seem to have a timetable for the first step.

Mr. COHEN. I see. All I can say is I believe my recommendation based upon the extensive consideration of—how do you do, Senator Hartke.

I was just expounding on my view why some prescription drugs ought to be included in the Medicare program. I believe that a limited program of prescription drugs to get started would give us the experience and would help us to master what I think are the two problems; namely, the administrative problem of large numbers of pieces of paper in paying for the bills and to get some experience in dealing with the cost aspect because as I recommended paying the generic cost, that is the cost of the generic drug plus a professional fee and there is a lot of difference of opinion about that.

My attitude is the only way you are going to find out is to do it on a limited scale, find out what the problems were.

The Senate Committee on Finance, when they see that experience then and it works out, they will be willing to extend it or to modify it in relation to its need.

#### HALF INCREASE FOR PART B

My third suggestion is this: I believe that we should not allow the proposal of the Secretary to increase the cost of the supplementary plan B, namely the \$5.30 a month to go into effect. I appreciate that Secretary Finch made his estimate in accordance with the law and it may well be that that was the only recommendation he could make, but I do not favor increasing that burden upon our senior citizens at the present time.

As you know, I made a recommendation to keep it at \$4 in the last go-around and costs have continued to rise. I imagine they will continue to rise.

I, therefore, favor shifting that cost of part B entirely into part A, namely financing Medicare entirely out of the employer and employee contributions, plus a general revenue contribution which is now one-half of the cost but to take it off of the burden of the aged person after he or she retires.

I consider this one of the unfortunate aspects of Medicare.

I will be quite frank with you. Having been the administrative representative in 1965 when this was worked out I was willing to accept putting half the burden on the aged person for getting half the cost out of general revenues. In other words, it was a compromise which took a great step forward in getting a Federal subsidy at half of the cost but we took one step backward in getting one-half of it put on the aged person at the time when they can least afford it. In my opinion now is the time to reverse that action and shift half of the cost on the aged person to the employer and the employee during the working life when people can bear it and keeping the Government subsidy of half of what the other cost would otherwise be.

Senator HARTKE. What would that cost in the base or how would you effect that?

Mr. COHEN. Well, you mean on part A?

Senator HARTKE. If you moved it all over to part A.

Mr. COHEN. I don't have the figure in front of me now.

Senator HARTKE. Will you supply that for the record.

Mr. COHEN. Yes, I will.

(The information follows:)

If the entire cost of Part B of the Medicare Program is financed from the Social Security taxable payroll, the actuaries estimated the level-cost of benefits and administrative expenses is 0.82% of the taxable payroll with a maximum taxable earnings base of \$9,000 in 1971 which will be automatically adjusted thereafter as specified in HR 17550.

If half of the cost of Part B of the Medicare Program is financed from a payroll tax while the other half is financed from the general revenue, then the level-cost is estimated to be 0.41% of the taxable payroll.

Mr. COHEN. Right now it would be whatever is equivalent to \$5.30 a month. All you would have to do is convert that to payroll base because, you see, \$5.30 under Secretary Finch's recommendation would be paid by the individual and the equivalent of \$5.30 by the Federal Government.

I think that would be a big step forward because you must realize that when an individual retires he goes on a fixed income, and increasing his cost for medical care after 65 out of a fixed income is a very unfortunate situation.

Congress recognized that in the hospital insurance, so-called King-Anderson part of the bill, by putting the cost of hospitalization under Medicare on to the individual when he was working but when he retired he no longer paid any.

I think that is the right policy and should be established in the benefits for the part B program.

#### NATIONAL HEALTH INSURANCE

Finally, I wish to conclude by saying that I believe that we now must face up to the situation of having a national health insurance program for everyone beginning at birth, and I believe this is important for older people as well. It is not simply a matter of providing people Medicare at age 65. I mean the whole growth pattern. You might say, as many of our physiologists and biologists point out that the individual start to age when he or she is born.

The whole maturation process is simply one continual process. Individuals who don't have good health care in their youth and in their middle age and in their older age are going to have more disability and sickness as they grow older, and as we all know chronic illness has been very extensive—in fact, some people even believe it has been increasing. Therefore, I believe that based on our experience now we should begin to look forward in the next few years to a national health insurance program that would cover everyone for comprehensive care including diagnosis, preventive care, and the other services that are needed.

#### PART C GROUP PRACTICE PLANS

I would like to say that I wholeheartedly support Secretary Finch's recommendation for the addition of a part C to the program which would provide an individual with the option of having diagnostic and preventive care through group practice plans. I am simply delighted that Secretary Finch is underwriting in a sense what many of us have advocated for many years as the more efficient, the more comprehensive, the more economical way of providing medical care by encouraging people to affiliate with groups where you can get the medical miracles of medical knowledge and medical skill brought together in a group. I hope very much that when the bill that the House is now considering, Senator Hartke, comes to the Senate Finance Committee that the Senate Finance Committee would give very serious, and I hope, favorable consideration to Secretary Finch's recommendation on their part.

I must say that I doubt to some extent the point that was made that this can be done at no additional cost. I have yet to find very many good things in life that involve an increase in service that can be done at less cost. But in any case I am willing to say that I would be for it even if it did cost more money because it obviously must mean that older people and others would get more volume of services at an earlier age.

Senator HARTKE. I say at that point there is a distinction to be made about cost which is a common misjudgment and that is when you talk about costs you talk about immediate costs or long term costs. I would think that as you look at the question of whether you are improving the general overall health of an individual through preventive and remedial attention, in the long run it is sort of like maintenance and repair of the human body.

Mr. COHEN. Right.

Senator HARTKE. And in that term I think that any businessman would say that it is foolhardy to say that maintenance and continued good maintenance is not a good investment even though it does have an initial cost.

Mr. COHEN. Yes.

May I just elaborate a bit on that? As we look ahead, I would like to make this kind of prognosis. I believe that life expectancy is going to continue to increase somewhat. I believe that through the research of the National Institutes of Health and the development of additional new drugs and therapy and better diagnosis, we are going to have more people survive at these earlier ages. That

means that we in my opinion will have the likelihood that we are going to have more people remain alive with more chronic diseases. Therefore, in my opinion, we must do more preventive and diagnostic work at an earlier age. In other words, the cost and suffering is going to be there and I believe that the sooner we can help them diagnose their diseases and treat them the better off we are going to be.

Senator HARTKE. I say, though, Mr. Secretary, there is not that type of inference that can be drawn. Most of the increases in the average lifespan have been due to the tremendous improvement in medical attention of infant care and infant mortality.

Mr. COHEN. That is correct.

Senator HARTKE. Rather than taking care of those people. If you survive past 21, my understanding is that your life expectancy has not increased very much.

Mr. COHEN. That is correct. I believe that if you also look at what is intended in the regional program—

Senator HARTKE. Under the present set-up, the research is cut back.

Mr. COHEN. I think that is going to be remedied in a couple of years.

Senator HARTKE. You may be sure but I am not so sure. You know, I am one who believes it should be, but I don't see any indication at this moment for any great hue and cry to really increase the research in cancer, the research in heart disease, the research in mental illness. The fact of the matter is that the American Cancer Society's No. 1 medical authority just last week made a statement that the whole breakthrough in providing the cure for cancer in 10 years is being delayed very substantially by the failure to adequately fund the research programs in the National Institutes of Health.

Mr. COHEN. I would agree with that, but I strongly favor increased appropriations for the National Institutes of Health and I say in about 2 years from now there will be increased appropriations.

Senator HARTKE. No one questions your dedication to that.

#### EYE GLASSES, HEARING AIDS, DENTURES

Let me ask another question. This is something which is not in regard to drugs but I personally think that one of the most worthwhile additions that can be made to the elderly at this moment is to provide for the inclusion within the present amounts which are being received for dentures so people could chew food, with eye glasses so they can see what is going on and with hearing aids so that they can hear what is going on. Do you have any comments on that?

Mr. COHEN. Yes. Let me take them in a little reverse order. I certainly strongly favor the hearing aid recommendation and I believe that can be done almost immediately. I have studied that, I think it is administratively feasible. I think there are alternatives of giving people the necessary hearing examination and the development of the appropriate hearing aid in relation to its proficiency could be worked out.



I believe the cost would be reasonable.

With regard to the dentures, I think here, again, we have a problem of lack of adequacy of supply of dentists and one would want to be sure in doing that that you did take into account other methods of improving the kinds of dental supply—let me put it that way—of dentists and dentistry and groups to take care of that need because once you do that in the long run and you open up the opportunity for a lot of older people to get it, in many places it would not be completely available.

Senator HARTKE. Let me say to you that I have never been convinced that I thought the availability of adequate health care should be a reason that you deny the opportunity to get it when it is available.

Mr. COHEN. That is right. I agree with you completely on that point. All I am saying is at the same time you do it open up the supply a little more because you will now have the monetary income to supply the demand.

Senator HARTKE. We had a recent controversy concerning those people like myself who believe in an expansionist system, contrary to the statement of Mr. Myers who is the actuary.

Are you an expansionist of social security advocate?

Mr. COHEN. First, let me say that I think Mr. Myers' article assumes that I am and I am glad to say I am or I think I am. I see nothing wrong in being considered an expansionist in social security. I believe in the expansion of the national income of this country, I believe in the expansion of the gross national product. I believe as you expand the gross national product of this country you can expand social security.

Quite frankly, Mr. Myers' article, which overlooks the fact that there are 5 million aged persons in poverty, seems to me to require some kind of improvement or expansion in social security.

So, quite frankly, I am proud to be allied with you, Senator Hartke, as I believe most of the other members of the Senate Finance Committee and the Ways and Means Committee have been. They have been expanding social security in the light of the needs of this country.

Senator HARTKE. I am sorry, I do have to go. I want to welcome you, again, Doctor. We have always admired your dedication to service and your background which have made it possible for a lot of people to live better. I have always appreciated that.

Mr. COHEN. Thank you, Senator Hartke.

I want to say all during the years we worked on this you have been an expansionist in social security and I appreciate the help and support you have given.

Senator HARTKE. We will do that.

Senator MILLER. Will you please assume the chair.

Senator MILLER (presiding). Thank you, Mr. Chairman.

Good to see you again, Mr. Cohen.

Mr. COHEN. Senator Miller, it is always good to see you.

#### LIMITS ON SOCIAL SECURITY TAXES

Senator MILLER. I would just like to ask a few questions and if you have already answered them, let me know because I don't want to have the record repetitive.

Getting into this social security future, do you have any ballpark figure on what should be the limit as far as social security taxes are concerned? There has been talk about 8 percent on the employee, 8 percent on the employer, 10 percent on the employee, 10 percent on the employer. Do you have ideas on that?

Mr. COHEN. I have these two ideas on it, Senator. I think there are two separate questions. One is the amount at a given moment of time in the light of incomes in the short run and the other is what you might call the long run. I do not have a view on the long run because I believe that is a matter that each generation has to decide in relation to its total income.

The way I look at it is this way: if one were sitting in this room, let's say, in 1910, 1920, or 1930, and you asked the question what is the limit that you could put on social security, it would probably have been a much lower limit than the one we even have at the present time simply because one's perspective is limited by the economic and social conditions of the time. But if you were asking me in 1985 or the year 2,000 I would say if incomes are two or three or four times as much as they are now it is entirely possible that the amount devoted to social security would be substantially larger.

As our incomes go up above the subsistence level, as you meet the need for food, clothing, shelter, health and education, and there is a larger proportion of your income that is discretionary, then the question is where should you allocate that—what to retirement, what to education, what to other areas?

I think that is a question each generation would have to decide.

I believe at the present time that it is possible to justify a tax rate on employees certainly for the old age survivors and disability insurance system within the area of 5 to 6 percent of payroll, and perhaps even somewhat more.

I might point out that the contribution rate under the civil service retirement program is now, I think, 7 percent, either 7 or something a little bit larger, and it has risen over the years from 5 to 6½ to 7. Naturally, there are somewhat higher incomes in the Federal service than there are generally, but I do not think that a rate at the present time anywhere between 5 or 7 percent on the employee and a comparable rate on the employer would be out of line, with benefits that would be commensurate with that tax rate.

Senator MILLER. I appreciated the fact that you put this in the framework of the time and in the framework of the net income of the individuals concerned rather than the gross national product because you know as well as I that we may have an apparently large GNP and we may still have a rather poor situation on net income. The GNP may look large, but when you refine it by looking at per capita increase in GNP, it may be going backwards instead of forwards. What really is important is the net income picture.

Mr. COHEN. Yes. I believe that as the tax rate goes up somewhat, and I said this before you came in, it might be well for the Senate Finance Committee to consider a formula somewhat as you did in the 1969 Tax Reform Act when part of the payroll taxes on the individual would be refunded for individuals whose total incomes were below the poverty line or some line that the Senate Finance Committee wanted to set. It might not refund all of them, it might

refund half or two-thirds or three-quarters recognizing as the rate goes up it is a more onerous burden on the lower income people rather than, say, on the person who is receiving the median income.

#### A REGRESSIVE TAX

Senator MILLER. Of course, this has been one of the features of the social security system, that it is a regressive tax—I mean funded by a regressive tax, but you get whipsawed as to whether or not you want to have an insurance approach in which people are putting away so much money that is going to fund their benefits later on even though it is a regressive approach and getting away from the social insurance concept into the welfare concept.

Mr. COHEN. I would be opposed to that shift, but I do believe there are some minor modifications that could be made that would be rather acceptable or could be acceptable, to the Senate and House, keeping the basic pattern of the employer and employee contribution but modifying it in some respects.

Senator MILLER. I share that approach that you just announced. However, in order to preserve the integrity of the system as an insurance approach, I have favored using the general fund to make up those deficiencies rather than having a person who is working make them up through the regressive social security tax system. Would you have any objection?

Mr. COHEN. Yes. I believe that there are perfectly appropriate ways in which general revenue financing can and should be brought into this system. I believe that some kind of a formula is necessary that would restrict the general revenues to a way that was not completely open-ended so you did not get yourself into a position so that you didn't know how to limit your costs. I would suggest that there are some possibilities such as the general revenue paying for the amount of the minimum benefit above the actuarial benefit. That is a mathematically determined cost and you can keep that within bounds. In other words, to give you an illustration, if you are going to pay \$64 as a minimum as you pay now or \$100 in the future, and really the actuarial value is \$20, then the difference could be paid by general revenue. That is one way to measure it.

Another way—

Senator MILLER. May I interrupt? That is precisely what I am talking about. Do I take it you have no objection?

Mr. COHEN. I strongly favor it.

Senator MILLER. I am very glad to hear you say that. I would say as long as we are both ahead at this stage of the game I would be happy to stop the questioning at that point.

Mr. COHEN. Yes. I will give you another illustration, though, hopefully that we won't disagree. Here is another aspect of it. When we started the social security system we naturally had to pay individuals who were already older than the actuarial value. In other words, if you had just a saving bank system I don't think politically we could get Congress to pass an annuity system that paid people \$2 a month, which would have been the actuarial value. You could provide that the general subsidy was for the payment of the total unearned annuity. In other words, you make future generations pay

their full cost. When a person has been in the system 40 years but has not been in the system the full time, whether it was the minimum or anything, the general volume would pay the unearned benefit.

Now, that is a measurable cost—I mean I don't know that I could have persuaded Harry Byrd, Sr. It is a measurable cost and it does not continue to rise indefinitely but is something that could be used as a basis for considering general revenue financing.

Senator MILLER. May I ask you if your reason for favoring this might be the same as mine, namely, that if you used the social security tax approach you are using a regressive tax system for funding those nonactuarial benefits whereas if you use the general funds of the Treasury we know that most of that is funded by taxation according to relative ability to pay.

Mr. COHEN. Yes, I agree with you on the reason. Let me say when this issue was brought up, many times when someone says it is a theory, always keep in mind your best argument, Senator Miller, that Congress did pay half the cost on the general revenues of supplementary part B and nobody that I know of is objecting to that, you know. It is true it costs money but I mean that has been embodied for 5 years in the system and I don't know of anybody that is recommending the repeal of that. In fact, that is what has made the operation of the system possible.

Senator MILLER. I agree. It seems to me that when we start increasing the minimum social security benefit then you get into an area of nonactuarial benefit so that the person working down here for a moderate wage trying to support himself and his family will not have to dig down into his already small paycheck to fund those. Those will be funded on the basis of relative ability to pay taxes.

Mr. COHEN. I agree completely.

Senator MILLER. Since we are in such agreement, Mr. Cohen, I think this might be a good opportunity for me to say I have no further questions. All I want to say is it is always good to see you back before any of our committees to testify.

Mr. COHEN. Thank you, Senator.

Senator MILLER. May I ask if either of the staff has any questions they would like to ask?

Mr. COHEN. I did complete my statement.

Senator MILLER. Does the staff have any questions?

We will let the staff take over now.

Mr. ORTOL. Dean Cohen, you said earlier you believed we should not let the Medicare part B premium be raised. You also suggested a way of making that part be paid for in other ways. Do you think we have enough time between now and July 1 to do that or do you suggest some sort of other kind of action?

Mr. COHEN. Well, I would say that my compromise would be to leave the rate at \$4 and transfer the \$1.30 to part A. That could be done immediately, no question in my mind. That could be done even if there were no bill coming over from the Ways and Means Committee to be acted upon.

It could be added onto the welfare reform bill which is germane or to any other tariff bill that is before the Senate Finance Committee. I think that I could show a way to get it done within the next few weeks.

Mr. ORIOL. Another question. You, of course, were active in the White House Conference on Aging in 1961.

Mr. COHEN. That is correct.

#### WHITE HOUSE CONFERENCE ON AGING

Mr. ORIOL. We are now approaching another White House Conference in November 1971. Two questions. What approach do you think this White House Conference on Aging should take to the matter of retirement income security? The second question, how satisfied are you with the rate of progress we are making toward that conference?

Mr. COHEN. Well, let me answer the second question first. Although I am the cochairman of the Institute of the University of Michigan, I have not been in any way involved in the discussions of the White House Conference. Those have been arranged through Dr. Wilma Donahue who was the past codirector of the institute. I have a great deal of confidence in her knowledge and ability and I have not consulted with her specifically on the subject. She is on the advisory committee and I know she will make whatever recommendations she thinks desirable because she is a recognized expert in her own right.

I believe that there still is a good deal of misunderstanding throughout the country about the White House Conference on Aging and I believe it is important for the planning to be made more public and more generally available. We are having our annual conference on aging at the University of Michigan as we always had this August. Mr. Martin is coming to that and I hope that he would be able to tell us at that conference or prior to that what would be involved.

Incidentally, we hope all of the staff will come. We are going to commemorate the 35th anniversary of the social security program on August 14 at the same time. The conference is the 12th, 13th, and 14th.

I do believe that income maintenance should be made a very key issue in it because these issues which Senator Miller and I have been discussing and which I discussed in my paper need a good deal of further review. I do not believe that these matters should be kept secret in any way. The major point that I disagree with Mr. Myers on in his paper is somehow he believes that these public policy issues are such that they don't merit different points of view of people. I think it is absolutely ridiculous to talk about everybody in the country being in one camp or the other, moderates or expansionists. There are times when I have been in the Senate Finance Committee in which members of the Senate Finance Committee have been much more radical than my proposals have been on specific amendments. I would not type them, you know, as being expansionist or moderates in terms of that.

I think that is part of our democratic process of trying to work out accommodations on different issues.

You take on the retirement test most of the conservatives are very radical. If by "radical" or "expansionist" you mean spending more money, which I think is what Mr. Myers said, most of it is for abolition of the retirement test.

Well, I believe as I tried to point out earlier, they have some argument on their side, they have some basis for it. I don't deny that there is a good argument for it. I just said my conclusion is that is not the wisest way to spend the money. I think that ought to be debated, and I think the White House Conference is the place where these big public policy questions have a forum for widespread discussion just like these hearings. So I would favor our bringing the unresolved issues to public attention and debating them in the 1971 White House Conference.

Mr. MILLER. Do you have any particular suggestions, in view of that statement, for assuring the breadth of expression of opinion at the conference?

Mr. COHEN. Well, not other, Mr. Miller, than just like in 1960 everybody should have their say.

In 1960 you recall I made quite a point of the fact that I thought that persons like myself who were then in favor of Medicare ought to have a full opportunity for a hearing of their side of the case. Former Congressman Robert Kean, who was then working on it, was kind enough to be willing to give me an opportunity for a forum. I believe people who have different points of view ought to have an opportunity for a forum.

I think the insurance companies and the AFL-CIO and the senior citizens groups and the tax group and Robert Myers, everyone ought to have a chance to have their say. I am confident, I believe, that when the Senate Finance Committee and the Ways and Means Committee takes up these issues they should have all of the views, all of the information, all of the pros and cons, all of the public policy issues so that they can make an intelligent decision.

I would not exclude anybody. I am for open covenants, openly arrived at.

Senator MILLER. Does Dr. Schulz have a question?

Dr. SCHULZ. Yes.

#### ROLE OF SOCIAL SECURITY

Dean Cohen, could I just ask one question about the role of social security as you see it developing. In your very informative remarks this morning you discussed the level of social security benefits. If I understood you correctly, you were talking about a 35 percent increase in social security benefit levels, but you then discussed the distribution of these benefits and said instead of continuing to increase overall benefits that there was need for improving and strengthening certain specific aspects of the system.

Now, my question is this: looking into the future, where is social security going; are we approaching the point where private pensions and personal saving could begin to take over and social security benefit levels might begin to level off. Or do you still see a major role for increasing social security benefits across the board in the foreseeable future?

Mr. COHEN. That is a very good question, and I think the document that you produced, Dr. Schulz, is very useful in this regard. I would say this: that at the present time you cannot solve the problem of the present aged by relying on private pensions. Your studies and all the other studies show that the growth of private

pensions has been so recent and the maturing of eligibility has been so small that for the 20 million aged today and maybe the 21 or 22 million aged of, let's say, in 1975, it would not represent a significant element.

I, therefore, think that we must provide for a reasonable minimum and a supplementary system of public assistance as I have talked about it to eradicate poverty among the aged.

Now, I believe that if we could do that by 1975 or 1976, and we had a 50 percent increase in social security benefits, then we ought to take a reexamination of the relative level of social security then in relation to private pensions and the gross national product in light of what I said before about what happens with (a) increasing cost of living; and (b) increasing productivity.

Now, I would favor, in the meantime, our studying very closely the German system and the English system which have been trying to deal with this same problem which is namely what do you do when you are trying to develop a program in relation to prices and wages?

I don't say that even the German system or the English system is the ultimate answer, but I do think that they reflect the thinking of a lot of people in other countries which have longer to development and maturity on these programs than we have.

Finally, I think this, if you ask me for a prognostication, I would have to say this, I think that after we overcome this present period of inflation we must still be realistic enough to recognize that prices are probably going to average a 1½- to 2-percent increase for the rest of another decade or so. I am saying, barring other periods of inflation. I think that pension plan development must assume 1½ to 2 percent minimum-price increases per annum as the best of all possible worlds plus the possibility of 3 to 4 to 5 percent increase in productivity—I hope closer to the 5 percent than the 3.

Now, if you take those two elements, price increases and productivity increases, and you add them to what I was talking about, more discretionary income, as incomes go up and increase in private pension plans it is obvious that you have a newer set of areas for 1980 than you had for 1935, 1940, 1950, or 1960.

I believe I would not wait until that time. I think we ought to begin to develop the materials that will make it possible for an administration, a Secretary of HEW, the House Ways and Means Committee, and Senate Finance Committee to make that reappraisal. I think the reappraisal would probably be in 1980 based upon completing this sequence of events I have talked about between now and 1976.

Mr. SCHULZ. Thank you very much.

Senator MILLER. Thank you very much, Dean Cohen. It is always good to have you here.

Did you have a question, Mrs. Brewster?

Mrs. BREWSTER. I have lots of them, but I think it is getting late and I will not hold the Secretary.

Senator MILLER. Thank you.

Then the committee will stand in adjournment until tomorrow morning at 10 o'clock in room H-403 of the Capitol.

(Whereupon, at 12:40 p.m., the special committee recessed, to reconvene at 10 a.m., in room H-403, The Capitol, on Tuesday, May 5, 1970.)

**ECONOMICS OF AGING: TOWARD A FULL SHARE IN  
ABUNDANCE**  
**(Concluding Hearing)**

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TUESDAY, MAY 5, 1970

U.S. SENATE,  
SPECIAL COMMITTEE ON AGING,  
*Washington, D.C.*

The special committee met at 10:15 a.m., pursuant to recess, in room H-408, The Capitol, Senator Harrison A. Williams, Jr. (chairman) presiding.

Present: Senators Williams and Hartke.

Staff members present: William E. Oriol, staff director; John Guy Miller, minority staff director; Dorothy McCamman, consultant on the "Economics of Aging;" and David Affeldt, counsel.

Also present: James H. Schulz, Ph. D., associate professor of economics, University of New Hampshire; Agnes W. Brewster, consultant on Medical Economics; and Harold L. Sheppard, Ph. D., staff scientist, W. E. Upjohn Institute for Employment Research.

The CHAIRMAN. We will continue the hearings from yesterday which I understand went very beautifully. I regretted that I had to leave for other matters in another committee. The reports are all good and we know that with our witnesses today we will make further progress.

I have a clipping here from the morning paper, reporting the tentative action of the Ways and Means Committee, which certainly moved in the right direction and rather significantly, didn't they, Dorothy?

Miss McCAMMAN. Yes, indeed.

The CHAIRMAN. On a broad front. So there is good news and there is going to be good news this morning.

We are going to start with the Women's Bureau of the Department of Labor, Mrs. Elizabeth Duncan Koontz, Bureau Director.

**STATEMENT OF ELIZABETH DUNCAN KOONTZ, DIRECTOR, WOMEN'S  
BUREAU, U.S. DEPARTMENT OF LABOR; ACCOMPANIED BY, ROSE  
TERLIN**

Mrs. KOONTZ. Thank you.

Mr. Chairman and members of the committee. As Director of the Women's Bureau of the Department of Labor I am pleased to have the opportunity to appear before this important Senate Special Committee on Aging.



In the Women's Bureau we receive numerous letters every year from middle-aged and older women seeking help to enter or reenter the labor force. Many are in dire economic circumstances—some recently widowed, others finding the monthly social security payment totally inadequate to meet bare necessities at a time of spiraling costs for food, shelter, transportation, and medical care. Many unfortunately, have, already been victimized by fraudulent advertisements inviting them to earn money by addressing envelopes at home. They do not know where to turn to supplement their meager incomes.

We have read with great interest the working papers prepared for this committee. We note, however, that the data presented is largely related to "males" only. For that reason, we especially welcome the opportunity afforded by your invitation to supplement the record with respect to women.

We will also avail ourselves of your offer to submit more extensive information within the month, before the record is closed. This statement will, therefore, be briefer than the scope of the problem warrants and will be purely factual.

One reason the concerns of this committee are especially important for women is that the life expectancy of women is increasing more than that of men. The life expectancy of men in 1920 was 53.6 years and for women, 54.6 years—only one year difference. However, by 1967, whereas the life expectancy of men had increased by 13 years, that of women had increased by 20 years, a difference of 7 years.

#### EARNINGS GAP WIDENING FOR FEMALE WORKERS

Another important difference between men and women in relation to their relative capacity to attain "a full share of abundance" is the earnings gap in our economy between men and women workers. The median earnings of fulltime, year-round women workers in 1968 were \$4,457 compared with \$7,664 for men. Women earned only 58 percent as much as men. This earnings gap is, in fact, widening. Back in 1955, women earned 64 percent as much as men.

This disparity between the earnings of women and men results in lower social security benefits for women. When this fact is combined with a longer post-retirement life for women, we understand why so many women face a long period of life with economic resources inadequate, in many cases, to provide a livelihood above the poverty level.

In 1967 the average retired male worker received \$92.50 per month in social security benefits, but for women workers the average allotment was only \$71.90. More than half of all retirees with benefit payments of less than \$70 per month in 1967 were women. The average retirement benefit for women workers was 76 percent of the average for men.

I want to call attention also to the special problems of widows in our society. I have already indicated the greater longevity of women, which inevitably means a steadily increasing number of widows. Of course, not all widows are superannuated, although we do have approximately 2,800 Civil War widows receiving veterans' pensions, and as we know, there are no Civil War veterans.

## SIX MILLION AGED WIDOWS

However, the number of widows aged 55-64 in March 1969 was almost 2 million (1,994,000). There were over 6 million (6,078,000) aged 65 and over—altogether just over 8 million (8,072,900) women aged 55 and over, who were widows in 1969. If you add to that figure the number of older single women, plus women who are divorced or separated, the total of what we call "women on their own" who are aged 55 or older comes to 10.5 million (10,501,000) persons—no insignificant number.

The average benefit payment in 1967 under social security for widows labeled "aged" was \$75.20. It is no wonder that the Women's Bureau receives so many requests for help in finding jobs, requests from mature women who "can no longer hold body and soul together." as several correspondents have put it.

The Women's Bureau noted with great interest the conclusions of your task force report concerning needed changes in the social security system. We are not in a position at this time to comment on these recommendations. However, I would like to call your attention to the report of the Task Force on Social Insurance and Taxes adopted by the Citizens' Advisory Council on the Status of Women,\* a council appointed by the President.

I submit it for the record.

Unlike men, many of the women aged 45 and over who are seeking to improve their economic status by securing a job have little or no recent work experience. They need training and retraining for today's labor market. They also need special projects designed to utilize their special skills in community service occupations at regular part-time or full-time work.

The Labor Department, through its operation mainstream, manpower development and training programs, and other such projects has been striving to provide job training and employment opportunities for all our people. The number of women aged 45 and over who are benefitting from these programs is, however, small.

In response to the expressed need of middle-aged and older women seeking to return to the labor force without adequate "know-how," the Women's Bureau published a pamphlet, "Jobfinding Techniques for Mature Women," in February 1970. In 1969 we prepared a publication entitled "How You Can Help Reduce Barriers to the Employment of Mature Women." The response to both these publications has exceeded expectations. Copies are presented herewith for the committee's use, but are not being presented as a part of the official record.

We trust the above data will be helpful to the committee in its overall study of "Economics of Aging: Toward a Full Share in Abundance."

As you note, the report of the Task Force on Social Insurance and Taxes adopted by the Citizens' Advisory Council on the Status of Women, I would call your attention to the additional statistical data relative to women, which will be found on pages 55 through 71.

Thank you, Mr. Chairman.

\* Report retained in committee files.

The CHAIRMAN. Thank you very much, Mrs. Koontz.

I just would like to skim the two documents that you presented for the committee files. These are both recent publications, aren't they?

Mrs. KOONTZ. Yes, they are. They may be obtained from the Women's Bureau if the committee desires other copies.

The CHAIRMAN. Tell me, how do you go about the distribution of documents like this?

Mrs. KOONTZ. I should refer to one of our staff, Rose Terlin, who is specifically working in this area of the mature woman. I can generally say that we have a mailing list. We work through State commissions on the status of women and also through the Inter-departmental Committee and the Citizens' Advisory Council on the Status of Women.

There is distribution to other Federal agencies, interested organizations, and individuals who ask to be on the mailing list.

Rose, do you have anything to add.

Miss TERLIN. I would just add that we do fairly wide newspaper distribution, especially syndicated, which on this type of publication—"Jobfinding Techniques"—is likely to be picked up very widely, and as a result we have had letters from all over the country saying that they had seen it mentioned in this paper or that paper. Many of them in quite small towns wanted to get a copy of the publication.

We are also distributing it, of course, through the State Employment Service offices.

Mrs. KOONTZ. I should like to add also that through the various conferences, workshops, and consultations that we either hold or participate in, these materials are on display, even though they are not always available in sufficient numbers for free distribution; and the advertisement carries the nominal cost for those that require a fee.

The CHAIRMAN. Now in this "Jobfinding Techniques for Mature Women," what age group are you trying to reach with this particular document?

Miss TERLIN. This one was primarily aimed at women aged 45 and over. We find that there are two periods of time when women not previously or recently employed need to find employment. One is when the children are almost ready for college and the family faces the problem of trying to meet the costs, and the mother decides to return to employment. That is a fairly large group who need help.

The other is the women aged 55 and older facing the very small income she and her husband will have as he approaches retirement. She seeks then to find employment both to increase their income under Social Security if anything should happen to him and to provide a "nest egg" to supplement social security.

These are the two large blocks of women who are returning to the labor force and who need guidance and special counseling on how to go about getting a job.

The CHAIRMAN. How about older women, over 60?

Miss TERLIN. We have some over 70 who find that they have to get a job. It is very largely this group that writes in and says,

"I have sent away \$15 to two different companies to get to address envelopes." And then all they get is a list of possible mail order houses.

The CHAIRMAN. I was going to ask a question. That was one of the specifics you mentioned, Mrs. Koontz?

Mrs. KOONTZ. Yes.

#### MISREPRESENTATION FOR HOME EMPLOYMENT

The CHAIRMAN. You suggested misrepresentation and fraudulent advertisements.

Mrs. KOONTZ. Yes.

The CHAIRMAN. Then you did bring in at that point the addressing of envelopes at home. What is this now?

Mrs. KOONTZ. We mentioned that one specifically because that is the one most often referred to in our letters from persons who have sought means of home employment.

The CHAIRMAN. What is the gimmick here; what happens?

Mrs. KOONTZ. The gimmick is they advertise, particularly in small town newspapers, "Earn money at home addressing envelopes." Then you write them and say you would like to earn money at home. They send back a letter that says if you will send in \$15, they will provide you with the tools that you need.

The "tools" very often turn out to be a rather tattered list of houses that do direct mail selling and, therefore, might be interested in having people address envelopes at home. Of course, the gimmick also is that today there are relatively few companies that use the home-addressed system of getting their envelopes out.

So there is very little potential for a job for them, but they paid their \$15 and now they are up against it.

The CHAIRMAN. Are there any other examples in this area of misrepresentation, feeding upon people who want to do homework?

Miss TERLIN. Yes. Another one is where they want to sell a machine of some kind. It may be a typewriter if the home worker is going to write letters; it may be a sewing machine. Usually it is a fraud, since the machine is priced way beyond its market value.

Then you have to buy the materials to make up the garment, and then ultimately you may get paid very little for all of this. You usually wind up losing money plus having invested your labor.

We always refer people to the National Better Business Bureau, which has a guide on how to spot fraudulent "make-money-at-home" schemes that is quite widely distributed.

The CHAIRMAN. Mrs. Koontz, there seems to be a widening gap in the incomes between men and women. In 1955 women earned 64 percent as much as men; in 1968, 58 percent.

Now this strikes me as unexpected when I am told that the statistics show that women are getting more and more education.

Mrs. KOONTZ. Yes, that is true, Senator. I think what we will find is that women are in the lower paying jobs and that we have a traditional line of thinking in our society about what jobs women ought to do, in spite of automation and technology, which has taken out the requirement of brawn. Yet our thinking goes on and continues to be traditional.

We have a very minimum number of women, I would say, in jobs such as middle management of executive positions. This is one of women's complaints about unfair employment practices.

This accounts for more than unequal pay for the same kind of work. If women are retained in the lower paying jobs, their earnings will remain lower. The differential will continue to widen if the pay for jobs traditionally known as men's jobs continues to go up, and the pay for those jobs traditionally performed by women stays at pretty much the same level.

I think it really points up strongly why we need to remove much of the sex discrimination in employment that prevents women from getting and from holding higher paying jobs. Also it would account for our need to counsel girls in elementary schools and high schools in a different way, encouraging them to enter the kinds of work that appeal to them and for which they have talent, rather than discouraging them simply because a job has not previously been done by great numbers of women.

#### WORKING WIVES

The CHAIRMAN. You know, we receive an awful lot of complaints that working wives, after contributing to social security, receive benefits no higher than nonworking wives.

Mrs. KOONTZ. Yes.

The CHAIRMAN. I am sure you people in your positions hear this complaint. What do you ladies think of this current inequity?

Mrs. KOONTZ. I know that we are not in a position to recommend specifically here any recourse, we simply submit these pamphlets or booklets for the use of the committee.

Miss TERLIN. The Citizens' Advisory Council position is the same as that in the bill which you have introduced. However, the Citizens' Advisory Council is independent of the Women's Bureau, and today we are speaking for the Women's Bureau. The Department policy is not yet determined. We have not had time to secure clearance or endorsement of the Citizens' Advisory Council report.

The CHAIRMAN. One of the approaches here is to combine the two for the computation of benefits.

Miss TERLIN. Yes.

The CHAIRMAN. But you people are short of making that recommendation, is that it?

Miss TERLIN. At this point we are not making recommendations.

Mrs. KOONTZ. We do not have a firm position.

The CHAIRMAN. Thank you.

We have been joined by Senator Vance Hartke and we look forward to his statement.

Would you like to remain? You have a time problem?

Mrs. KOONTZ. I do have a time problem, Senator, and would welcome your permission to leave.

The CHAIRMAN. There might be a few questions that we would like to submit to you.

(See app. 3, item 3, p. 1974.)

Mrs. KOONTZ. We would be glad to have them and you can be assured that we will cooperate.

The CHAIRMAN. Our most able colleague.

STATEMENT OF HON. VANCE HARTKE, U.S. SENATOR FROM  
INDIANA

Senator HARTKE. Thank you, Mr. Chairman.

Mr. Chairman, I will take just a few moments to comment on a fact which should receive special attention in the final deliberations by this committee on the "Economics of Aging."

That fact is simply that older Americans in rural areas of this Nation are probably the major victims of our national failure to resolve chronic and perhaps worsening problems related to economic security of all older Americans.

We must recognize that perhaps 50 percent of all rural elderly live below poverty levels.

We must face up to the fact that housing for millions of the rural elderly is falling apart, and that there are few substitutes at prices they can afford.

We must admit to ourselves that the rural elderly will be written off in the national consciousness unless this committee and other congressional units make deliberate and informed effort to prod that consciousness in other directions.

And one way to do so is to insist on broad action—beginning with genuine social security reform this year—to bring retirement income throughout the Nation to levels of which this Nation can be proud.

As a Senator from a State with many rural interests, I have good reason to be concerned about the issues I have just mentioned.

That interest was intensified when I became a member of this committee and suggested to the chairman that a special study be conducted on "Older Americans in Rural Areas." I am happy that my suggestion was taken, and that I have been designated to conduct the study.

Thus far, testimony has been taken in Iowa, Kentucky, Indiana, Mississippi, Arkansas, and Idaho. Rural America defies generalizations, just as the rest of the Nation does. But the study has already yielded several major themes related to the overall committee inquiry into the "Economics of Aging." I will briefly discuss them:

1. RETIREMENT INCOME IS GENERALLY LOWER THAN IN URBAN AREAS

Earnings during the work lifetimes of many rural elderly have been lower than in urban areas. Social security coverage is spotty. In addition, there is strong reluctance to apply for old age assistance or "welfare."

2. PERCENTAGES OF ELDERLY ARE RISING

Nationally, the norm for population past 65 is about 10 percent of total. But, as youth moves from rural centers, the proportion of elderly there rises. Some counties in southern Iowa are near 20 percent. The high percentages widen the need for special services, including medical care, but may reduce the economic base needed to support them.

3. "INVISIBILITY" IS THE ENEMY

As one witness told me, "You have to look a lot harder to find a low-income person in rural Indiana than you would in urban

Indiana." Much of the same point was made in the Appalachian Mountains of eastern Kentucky and in the delta farmland of Mississippi. Dispersal feeds forgetfulness. But we are talking about people who stand most in need of help.

As I mentioned earlier, social security reform should be high on the agenda for action in the Congress this year. The Senate Finance Committee, on which I serve, will certainly give attention to such legislation this year. I will take action to advance the many purposes of Senate bill S. 3100, which I cosponsor along with the chairman of this committee. And I will give special attention to the need for a sharp rise in minimum benefits. Older Americans in rural areas are in special need of this reform.

In addition, I will also look very sharply at any attempts to reduce Office of Economic Opportunity projects designed to serve the elderly. In several States, OEO-funded projects were literally preventing starvation and providing employment opportunities in areas where welfare was spurned.

You know, we have heard a lot about "workfare" lately. But it is not exactly a new idea. Several of the projects inspected by this committee have applied that principle for years, and without welfare stigma. In Kentucky and in Arkansas we saw home rehabilitation programs which provided work for the elderly and much needed repairs for the homeowners.

We have seen rural elders in programs which serve other elders. And time after time, we have heard the elderly participants say that work is what they wanted. It gives them zest for the next day of life. It provides the satisfaction that comes from helping others.

Certainly, there are no more enthusiastic and productive older workers than the men of the Green Thumb program. They are building and repairing instead of sitting on porches or in rocking chairs. In Arkansas they are giving a major boost to the tourism industry. In my State we see similar opportunities.

The point here is that this study of the "Economics of Aging" should give adequate attention to the potential importance of service programs which I believe will someday enlist millions of elderly in rural and urban America.

You will, I am sure, receive more of this message in the statement from Dr. Blue Cartenson of the National Farmers Union. He is serving as unpaid consultant to the committee for its study of the rural elderly, and he has our heartfelt gratitude.

One final thought, Mr. Chairman: There has been much talk of late about "rural redevelopment" and the need to channel population away from the cities and back to the country. President Nixon has established a Council on Rural Affairs, and he envisions close rapport with his Council on Urban Affairs.

It is all right, I suppose, to think in "big picture" terms, but I earnestly hope that the two councils will turn away from their grand plans occasionally and try to understand what is happening to the people now living in rural America.

The elderly are a major component of that America. Many are poor because the work they knew when they were younger no longer exists, or is dying. Many are poor because they are ill, worn out

or chronically hungry. Should they be written off because they have fewer years ahead than they have behind?

This committee, and the spirit of the rural elderly themselves, will make certain that the answer to that question is delivered in ringing terms in the negative.

Mr. Chairman, I would just like to say that in the trips that we made, I honestly had a good time, as I think some of the committee staff did, too. I remember one session where we ended up in church and ended up "bringing in the sheaves." I mean the spirit of the community was good. That is a happy thought.

Now let me give one other one.

In Fleming, the OEO program contributed there to the hot Meals on Wheels program and I think it is very generous of this great big Uncle Sam to contribute \$76 a month for the feeding of 32 families. That is miserly gratitude and I think it is disrespectful of human dignity to say that we can only afford \$76 a month in that rural community to feed the elderly.

In Fleming meals were going to elderly widows ordinarily. One in particular was almost blind and almost could not cook for herself, but worse than that, she had no desire to cook for herself. That is a real tragedy.

Here you have a person who lives alone and can't see sufficiently to take care of her own food problems, but more horrible is the fact that she does not want to any more, and that loss of hope is the terrible thing.

Here she was to be fed in a place in which she was in early September where the coolness has already descended on that part of eastern Kentucky out on the front of this old coal stove with an aged quilt around her legs, receiving this hot meal basically from the people in that community.

All I can say is we congratulate those people for what they have done and we condemn the rest of this affluent society for not being more concerned about some of God's chosen people. I leave that with you as a thought, the tragedy of the elderly.

The CHAIRMAN. Thank you very much, Senator Hartke. You have done great work for this committee and everybody is grateful.

Senator HARTKE. These people are from Indiana, finest people in the world.

The CHAIRMAN. We welcome you to the committee, Blue. As Senator Hartke has already indicated, the committee is grateful for all you have done to help us.

**STATEMENT OF BLUE A. CARSTENSON, DIRECTOR, RURAL MAN-POWER, GREEN THUMB AND SENIOR MEMBER PROGRAMS, NATIONAL FARMERS UNION**

Mr. CARSTENSON. Thank you, Mr. Chairman.

I did want to mention that Jim Templeton, who has been the other consultant to the committee, is in the back of the room working on the problems of the rural elderly.

I have with me today four Green Thumbers and one who also does double duty of being a Green Lighter as well. The Green Thumbers



are Mr. John Crosby of Wheatland, Pa.; Mr. Alex Bashan, who is mistakenly put down as age 71, and he wants the record to be clear he is age 72 and expects to be 73 here very shortly from Borden, Ind.; Mr. Earl Baker, also 71—we made two mistakes here on age; and then the last person I would like to introduce is our special triple threat gal, Miss Helen Hayner from Antigo, Wis., 72, who for many, many years was an elementary school teacher and also at one time taught teacher education, was one of our first women Green Thumbers and did a fantastic job in community betterment and community beautification work and was quite an outstanding green thumber. She has now moved into the Green Light program where she works as a library aide, a school aide, and does Outreach service, all three. So she is quite an able person, Miss Hayner.

I also want to point out at this time that I brought along a new model prepared and designed by a Green Thumber in Oklahoma. It is a model of a table for picnics. It is particularly designed to be vandal-proof and also designed for both the young and the old. I think the unique things in this particular design, and we have seen picnic tables all over the country, is the proper height of the table, the lack of anything so that you don't have to climb in over with your feet to get into where you sit down.

Usually there are cross-bars which make it very difficult for many older people, and the rounded corners which help make it easy for people of all ages to get in. Also the fact that when it is completed, it has no place that can be taken apart and it is all made of cement.

Finally, the beautiful color is put right into the cement and it is a part of the cement so it does not have to be repainted or retouched up or anything of that nature.

It is a very permanent and very wonderful design. The design was developed by one of the Green Thumbers in Oklahoma and it is quite a unique design. I thought I would bring it along here to show the committee.

I want to talk a moment and I would like to ask the Green Thumbers and Green Lighters with me to make a few remarks. I would like to submit my testimony, if I might, Mr. Chairman, for the record and summarize it.

The CHAIRMAN. Very good. We will include your testimony. It looks very voluminous. You have charts and a lot of appendix material here. Your statement will certainly all be included.

Mr. CARSTENSON. Thank you very much.

(The statement referred to follows:)

PREPARED STATEMENT OF BLUE A. CARSTENSON, DIRECTOR, RURAL MANPOWER GREEN THUMB & SENIOR MEMBER PROGRAMS, NATIONAL FARMERS UNION

Most of the testimony taken by the Congress about the problems of poverty concerns the difficulties of the urban poor. Most of the action has been directed to the urban cores, and many of the Federal program funds have gone into the urban areas. Because of these programs, poverty has been reduced in the urban areas.

The situation in rural America is getting worse, especially among the aged. In 1965, according to the Federal figures, 43 percent of America's poor lived in rural areas. A month ago the President's Commission on Rural Poverty reported that one half of all the poverty in the country is in rural areas. One third of the people in this country, or 65 million people, live in rural areas and

very small towns. They receive only one-fourth of the total income. The situation could be worse. However, the migration of rural poor to the cities tends to alleviate the problem somewhat.

Old age is the most pronounced characteristic of poverty in rural America. Forty percent of all the poor in America are over 65 years of age. In rural America well over one-half are over 65. The poor in rural America are 78½ percent white. The balance is mainly blacks in the south and Indians in the west. Rural poverty is found in every single rural county in America and in sufficient numbers to warrant special efforts of aid in every county. The vast bulk of these people have been hard-working, well-respected citizens during their lifetime and became poor permanently only when they grew old. It is difficult for an older person to find a job without help.

In every rural community, especially in the small towns, old people sit in their little old houses rusting away, and far too many rotting away. Most old people in rural America die from disuse—not disease. They spend their last years sitting on a shelf (small town) without adequate medical or social services. I have come to believe that the Eskimos, who placed their old folks on an ice floe and pushed them off to sea, were more humane than we are to our older Americans. At least their death was quick and relatively painless and dignified. The children of our rural aged have long since left for the cities, returning only once a year for a visit.

These older people have too much pride to ask for welfare. Only about one in ten who is at or below the poverty line applies for welfare. If he is over age 65, he is denied a job opportunity. Some employers feel a person's age sets a limit on ability. These older people are not reached by most of the Federal anti-poverty or manpower programs in any significant manner except for Mainstream, and a small number of special projects under the Office of Economic Opportunity which are assisted by the National Council on Aging. The Administration on Aging funds are completely inadequate, although they have developed excellent demonstrations.

Since World War II, some 25 million people have been attracted or forced to leave the countryside and move to the city. Farm prices and the high costs of production, land, and loans, have pushed farmers out of farming. This has not been a case of efficiency but a case of not having capital, bargaining power, money to buy new high-priced equipment or the public policies which have too often favored the big producer over the small. For every farm family that went broke, a person in town lost a job. For every four farmers who went bankrupt, one business went broke on Main Street, and the young farmer has had to leave. Today young people can only get into farming by inheritance or marriage. My parents, however, were the first of two large families in McPhearson County Kansas to move to the "city" from the farms. Now only one distant cousin remains and she has had to move into a small town.

Many older people move off the farms and grow old in the small towns finding little more than a refuge with poverty, inflation, and inadequate health services, and most likely no social, recreational, public transportation or home-care services. In small towns, by-passed by the interstate highways, bus lines, and modern shopping centers, they are left without hope for anything except deterioration, deeper poverty and loss of bodily functions including the brain and the prostate gland.

#### PENSION ALMOST NONEXISTENT

Many have only the minimum of Social Security although many have none—or even worse. They are not aware of any Federal aid. Social Security is supposed to be a base upon which to build a pension. With most rural older people who have gone broke or nearly so trying to farm, and except for a few older people with disability pensions, veteran pensions, Federal civil service pensions, or railroad retirement, I cannot remember a single person working in Green Thumb who had any other kind of pension. More than half of the old people in poverty live in rural America, and to talk of private pension plans in rural areas is blind ignorance. It is again ignorance of the farm economics to hope that future generations of older farm people will have a better life with today's farm prices, interest rates and farm costs.

Under-employment is four times as great in rural areas as in urban areas. The number of rural jobless poor reporting to the community employment services would be staggering if these people could reach the service. So often these

rural poor live 50-75 miles from these services. Also, most rural employers do not use the community employment services. Only 5 percent of MDTA and OJT funds go to help train the rural unemployed for jobs in rural areas.

The accident rate among rural people is much higher than among urban people. Three out of five deaths caused by accidents involve rural people, although they represent only one-third of the population. Rural areas account for 60 percent of all the sub-standard and dilapidated housing in America. You find few doctors, hospitals, social agencies, dentists, nurses, trained social workers, antipoverty efforts, manpower programs, etc. etc. in rural areas. Green Thumb usually employs 14 men per county and is, for the most part, the largest manpower or anti-poverty program in most of the 185 counties in which we are located. Unemployment hurts the older unemployed more than it does the younger unemployed.

You in the Senate last year voted a major increase in the minimum Social Security payment. This would have done more to help poverty in rural America than any other thing. Remember, a 5 percent increase on \$150 Social Security check is a lot more than a 5 percent increase on the minimum Social Security check which is the usual check among the rural area resident. A percentage increase in Social Security is not a great help to the massive problem of poverty among the old folks in rural America.

### THREE MILLION RURAL ELDERLY WANT JOBS

We have made some dramatic strides in breaking through some of the problems among older people through Green Thumb and Green Light. I will tell you more later about this, but first let me say that we are quite confident that instead of the 3,000 jobs we have provided for rural older people through Green Thumb this past year, there are more than 3 million older and retired low-income people in rural America today who want a job so that they can have decent clothes and decent food—or more accurately—any new clothes, enough to eat, or transportation to the doctor.

The price of our public welfare system goes far beyond the giant out-lays of Federal funds. Our entire Nation's life is effected: race relations, family life and family planning, mental health, mental retardation, employment, economic development, retraining, public housing, morality, and a host of other areas.

For the last four years, I have made it a point to ask a wide range of people about welfare. To this date, I cannot find a single person, whether he be the recipient of welfare, a welfare administrator, or a tax payer who likes the public welfare system that we have in this country. The division of responsibility for public welfare policies between Federal, state and local governments, coupled with the complexities of the details of the welfare law, make it almost impossible for the citizen-backed reform. The welfare amendments of 1970 have not evoked an *enthusiastic* positive public response.

The snarl of public welfare has become almost as bad as the "Gordian Knot." What is needed is not something to cut that "Gordian Knot",—to free us from the system that was born in another era, in another land, and which we have been unable to change fast enough to keep pace with our fast moving and fast changing society.

We suggest that there are two major solutions to our present welfare problems. First, there are those who are physically and psychologically unable to work. We have found that among the most conservative and the most liberal and among most people in this country, people generally feel that society must take care of those who are disabled and cannot take care of themselves. We urge that the Congress seriously consider amending the Social Security Disability Insurance program so that people who are heads of households, who are no longer able to work because of disability, (physical or psychological), receive immediately, upon certification by medical authorities, regular disability payments allowance adequate for the family. These payments should provide a minimum decent standard of living. All such disabled persons should be automatically tied in with the health and vocational rehabilitation services. Whenever rehabilitation can restore the head of the household, or someone else in the family is able to function as the head of household, then the payments would automatically stop.

The second group in welfare are those who are not disabled. There are many on welfare who are not physically able to take jobs in the competitive job-market. There are many on welfare now and many more who are poor now and who will be on welfare within the next few years, who can work in non-

competitive public service jobs such as those provided in Green Thumb, Green Light, Senior Aides, or Mainstream programs.

Most low-income people, including those on welfare, would prefer to work, rather than receive welfare, or charity, or even a guaranteed annual income. The "work ethic" is extremely deep in our society and culture. It affects how people, especially low-income, look at assistance. If people "work" in meaningful ways regardless of how limited, it is income not charity, dignity not degrading. Green Thumb has proven that work opportunities develop dignity while bringing people out of poverty. The Green Thumb program, as this Committee knows, employs older and retired low-income people to carry out conservation, beautification and community services and betterment projects. It has provided local and state governments with the kind of help that they desperately need to help build a decent society.

Ask any County official who has a Green Thumb program in their county whether they would rather have Green Thumb or their welfare program. Ask any person "on welfare" whether they would rather have a job like Green Thumb or Green Light instead of welfare. Ask any tax payer in any of 185 counties who have Green Thumb if they would rather have people helped by Green Thumb or by Welfare. Ask anyone if they were to become poor, would they rather "go on welfare" or go to work for Green Thumb. We all know the answer. But why do we continue to pour billions into welfare and few millions into programs like Green Thumb Service Aides and other Mainstream programs when the cost of Green Thumb and these programs is less per person in financial, psychological and social terms.

We ask that this Committee help the Kennedy-Poverty Bill take the Mainstream program out of the nickel and dime level and with major emphasis, put it into the Department of Labor.

#### ON-THE-JOB TRAINING EXPERIMENT IS A SUCCESS

Our Green Thumb On-the-Job Training program has been carried out as an experimental program. It is the only older worker OJT program in the country. As we conclude two years of work and a year experiment with full-time staff direction, we have made a major breakthrough in the employment of older workers which is significant as the development of the Green Thumb Program itself. After a long period of experimentation, without success, we finally found the right combination. During the past six months, OJT has done a fantastic job in placing people aged 45-83, the average age being 60 in fourteen states.

The contract was for \$166,000 with room for 300 job placements. To date, 500 low-income rural Americans have been placed in permanent jobs and over 24 more openings are now in hand and are being filled. Over 149 jobs have been opened up in the last three weeks. The average cost of training was only about \$325 per trainee. Many of the other OJT programs now are priced from \$800 to \$2,400 with the JOBS program going higher than this. The total income the placements have, or will have earned, will be \$1.8 million. Men have been placed in such jobs as:

Landscapeers	Carpenters
Conservationists	Dye cutters
Tree planters	Cabinet makers
Lumber graders	Truck drivers
Box makers	Farm assistants
Book binders	Boat laminators
Clerks	Forest Service Fire Watcher
Community Center Directors	Cooks
Fancy shoe stitchers	Assembly workers
Shoe antiquers	Guards
Social workers	Floral Designers
Community Action Agency staff	Munitions handler
Maintenance for: Parks, schools, golf courses, resorts, buildings, car dealers, bowling alleys, highway rest areas, and county court houses	Moss collector
Panel saw operator	Router
Paint dipper	Glueing machine operator
Clock assembler	Paint Dippers
Kettleman	Mechanics
Holly berry picker & packers	Welders
	Lumber Graders—
	Grain Elevator Operators

We have been successful in using Green Thumb and Green Light to demonstrate the abilities of older workers showing that they are reliable, skilled, safe, steady, permanent employees. Employers have seen their work and have liked it. They are now willing to employ Green Thumb workers permanently with the help of the OJT program.

As the manager of the Mt. Ida Arkansas Footwear Company said, "If it hadn't been for Green Thumb and On-the-Job Training, I wouldn't have tried these older workers. I employed five ladies. They have worked out as being highly reliable, stable, permanent employees. I want more. I appreciate the Green Thumb!"

We have found that in rural areas there are many jobs that go "abegging" because small employers do not know how to find good employees. For many reasons, including distance and understaffing, they do not use State Employment Services as much as they should. These small rural employers do not have formal training programs or personnel functions. Our program is one of the few OJT programs that is effective in serving the small employers in rural areas.

Despite the fact that we are now in a period of the highest unemployment in the past half dozen years or more, we have placed over 149 job contract orders for older workers in the past three weeks. We can now say we have at least one solution for the older worker.

The time has come to experiment afresh with the whole range of manpower programs, including MDTA, New Careers, and others to see if they can be focused on the older worker.

We now have the key to jobs for the older worker.

Mr. CARSTENSON. I realize that perhaps in this last week this comes at a time when the problems of older people in rural areas are particularly outshone by the problems we have had, the invasion of Cambodia, the problems on our campuses and the terrible situation in which we find ourselves this morning.

#### THE HIDDEN PROBLEM

I would hesitate to come forward to talk about the problems of older people in rural America except for the fact that there are always very dramatic things that seem to grab our nation's attention continually and we always find that the older people are left out in the shadows, so we might as well take a day when there are gigantic headlines and go ahead and tackle this hidden problem of America, the hidden problem which is of major proportion.

And while it is not as dramatic, the suffering and the difficulties that face the older people in rural America are something that concerns us very deeply.

The problem is getting worse in rural America rather than better, especially as it concerns the older person. When the President's Commission on Rural Poverty made its study, 43 percent of the poor were in rural America. The President's Commission on Rural Development just reported this past month that over half the poverty is now in rural areas and this would be a great deal more if it were not for the fact that there have been 25 million people migrating out of rural areas or probably most of them have been pushed out of rural areas.

The problems and statistics would have been much worse. One-third of the people live in the rural areas, that is about 65 million, and they receive less than one-quarter of the total income. They constitute one-half of the poor.

Old age is the most pronounced characteristic of rural poverty. There is no question in my mind that when you get out in the rural

areas you find it clustered around two areas, one in the South, and that is the large black family, with many children that have been pushed out because of cotton mechanization, and the other which permeates every rural county in America and that is the problem of the older and retired farm family, the farm couple.

The vast majority of this group have been respected members of the community. They have been hard-working, they have put children through school and through college and have been pillars in American society, and yet, when they reach the age when they no longer can get a job and no longer have the ability to command the kind of money that it now takes to carry out farming, often it takes an investment of \$60,000, \$70,000, \$80,000, \$100,000 to continue in farming, and when a man gets to be 65 or 70, darn few banks are going to be willing to extend this kind of credit. Farming is a tough, hard occupation and many have had to get out of farming.

The Women's Bureau Chief, speaking before, talked about the problems of the older widow. I look in rural America and with the fact that three out of five of the fatal accidents occur in rural areas, that the health situation among rural persons is much worse, especially among men. We end up with large numbers of widows and farm women, and to the best of my figuring eight out of 10 widows and single women in rural America are living in poverty at this moment.

They have little to look forward to in the vast majority—little houses, they are forced to move into small towns, rusting away and just plain rotting away with disuse and without hope.

I certainly feel that what we are doing as a society may be worse than Eskimos do when they put the older person on an ice floe and push him out to sea to freeze. At least that is quick.

The vast majority of older people refuse to ask for welfare, and I think this is reflected in the fact that among the poor in rural areas in many of the States which have good welfare programs, only about a tenth of those who are eligible, and below the poverty line, are actually getting welfare.

This says something about attitudes, it says something about our welfare system.

I have in my experience in Green Thumb run onto not a single person in rural areas who has a pension other than a Government-related one, either social security, veterans, disability or railroad retirement. You cannot find any other pension.

They talk about pension plans for the rural elderly. It is just plain ignorance of the facts about what happens to older people in rural areas. They are just not there.

The CHAIRMAN. May I ask at that point, does the Farmers Union have a pension plan?

Mr. CARSTENSON. For its employees?

#### GREEN THUMB "PENSION PLAN"

The CHAIRMAN. No, for the members.

Mr. CARSTENSON. For the members, "No." We don't have a program. We have an investment thing that we were able to set up just recently under the Keogh bill, which does help.

I would like to show you the pension plan that we have just developed in Green Thumb, which I think is one of the most radical and I think one of the most new and exciting pension plans around.

We have a pension plan which is very simple. Green thumb workers cannot have a pension plan by the rules of the Department of Labor, but the staff members after 3 months, have 8 percent of their salary, an amount equal to 8 percent set aside into an individually funded invested pension fund, and whenever that person leaves, whether he leaves after 4 or 6 months or after 60 years, that money is his automatically—whether he is fired, retires or what-have-you.

It is his and he can have it paid out in any way he likes and it is individually funded. This is one of the reasons why we can employ a man at age 70 or a person at age 21 and it makes no difference. The fund is automatic and provides a person with a vested and fully funded pension plan.

I think many more employers ought to look at this kind of a system so that they can tap into the older workers and not be tied up by some actuary who says that you cannot hire a person over 70 because he is going to destroy your pension system. A good pension system should not be destroyed by that kind of hiring policy.

Miss McCAMMAN. May I ask, however, is this all financed by the employee himself?

Mr. CARSTENSON. No, it is all by the employer. This is what I think, Dorothy, you and I have dreamed about for a long time. I think we have a fully vested, fully funded and flexible plan by adopting a pension plan that can work and does work and so far has done exceedingly well.

Miss McCAMMAN. And 8 percent in addition to his salary is what he is getting?

Mr. CARSTENSON. Yes.

#### WELFARE SYSTEM A DISASTER

I would like to move on, if I might, to considerations on the public welfare system. Frankly, in rural America the public welfare system, particularly the old age assistance plan, is a disaster and I understand that Mr. Finch does not wish to even improve the old age assistance plan.

Secretary Finch, by giving it the same kind of increase and the same kind of treatment that younger persons are going to get under the family assistance plan, which I understand has not been met with very great enthusiasm by members of the Senate committee—we share that lack of enthusiasm and, in fact, what we say is that there is a serious problem of public acceptance.

Perhaps we are dealing with a public welfare system which is out of date, created in the 16th and 17th centuries, in another nation, it is no longer really applicable to America and perhaps we ought to be talking about doing away with that system rather than trying to patch it up and try to make it work.

What we feel very strongly is that those who are not able to work physically or mentally should have a decent disability insurance program, and it ought to be tied in with rehabilitation and stop all the nonsense we have about everything else.

If a person is disabled, he ought to be able to get a disability insurance check monthly and it ought to be tied into the rehabilitation system, and those that can work, ought to have the option of a job.

I was up in Jersey yesterday meeting with the State Advisory Committee of Green Thumb and State agencies, and we talked about all of the thousands and thousands of jobs that need to be done in New Jersey and this can be done in the public sector.

I am talking about the jobs which can be provided, and I know of not a single person that I have met on public welfare who was not disabled who would not prefer to have a job. The poor continue to say in every community action agency, in every program we have ever created, that what they want is a job if they are physically and mentally able. They don't want anything else.

We keep jamming this other stuff down their throats, welfare and all the rest, and what is really needed is an opportunity for a job, a chance to be useful, a chance to be productive. Goodness knows, we could put a lot of these people to work tomorrow on problems of environment, problems of pollution, a whole host of jobs.

#### HEALTH CARE

We could revolutionize the whole health care situation if we could create enough health aides and enough medics utilizing the skills of persons who are not now employed and who are poor. We could do something about health care rather than just continuing to bemoan the fact that we are not making any progress, and in fact, we are falling behind in our health care situation in this country.

Now I do want to correct one thing I said in my testimony on page 6. We ask the committee to help pass the Kennedy poverty bill. It should be the Kennedy-Prouty bill, Senator Prouty being one of the cosponsors, as you are, Senator Williams.

I did include this price index to indicate that a 5-percent increase in social security, however nice, is just not realistic in terms of what is happening to prices, and prices do not go down for a person who is on social security.

When that person walks into the supermarket, they charge him exactly the same price that they charge anybody else. The prices have gone up, especially for the services, the durables, which are the things that younger people generally buy, remained relatively low.

This is the last page here. The things that older people have to buy, services and food and medical care, are the ones that continue to climb and 5 percent just is not an adequate figure for them.

#### JOB DEVELOPMENT AND PLACEMENT

The last thing I would like to comment on before asking the Green Thumbers and Green Light lady to speak has to do with the major breakthrough we made on job development.

Ken Goode, do you want to come on up?

Ken Goode is our job developer and we have made what we believe is the most significant change in the problems of the older worker



in terms of jobs. When we wrote this testimony, we had placed 500 persons into permanent jobs. The jobs now total 561.

In the last 3 weeks we have placed over 175 persons from Green Thumb and Green Thumb waiting lists into permanent employment. In the chart back on page 7, you have to go quite a ways back through the pictures in here to page 7, to see the kinds of jobs that these persons do.

The CHAIRMAN. How many was that again? How many men have you placed this way?

Mr. CARSTENSON. The last 3 weeks, approximately 175 contract jobs have been written into the contract program for older workers. Their average age is 60. The wages will total about \$2 million. They are well above the minimum wage.

We have been placing both Green Thumbers and Green Lighters into these jobs and they have been good, exciting, challenging, unusual jobs as you can see from this list. We think we have a major answer. This is in a time when the overall employment situation has dropped disastrously, the lowest point in about 6 years or so, and here we have been able to break through.

I think it is some of the techniques that Ken Goode and the OJT Green Thumb people have been able to develop to crack through the problem of placing the older worker. These are all small jobs; these are not big contracts of 50, 100, 3,000.

The other unusual thing, I know of another committee of Congress today is looking into the JOBS program where they have been placing at an average rate of about \$2,400 per trainee as the cost. Our cost, including administrative cost, to do it on the national basis runs about \$300 per person placed. Subcontract cost is about \$261.

We think this is a very dramatic and exciting change. In New Jersey alone we have placed 20, most of them in the last 3 weeks into these permanent jobs.

The CHAIRMAN. Excellent.

What do you say the average age was?

Mr. CARSTENSON. A little over 60 now. These people are on Green Thumb waiting lists and these are all older retired low-income persons.

The CHAIRMAN. When you say the average age is 60—

Mr. CARSTENSON. We placed a lot of persons in jobs in their seventies.

The CHAIRMAN. When you say "average," that means the number under 60, Green Thumbers under 60?

Mr. CARSTENSON. Yes. We go down to 55, but one of our biggest problems is that most of those on the waiting list are too young for Green Thumb, in the 45-55 category. We have an awful lot of these persons, so we have been placing a number of them and some as high as age 83 into a job.

Where is that Ken, that the person is 83 years of age?

#### STATEMENT OF KEN GOODE

Mr. GOODE. This was in New Jersey.

Mr. CARSTENSON. The oldest person placed on a Green Thumb contract. What was the nature of that factory?

Mr. GOODE. It is a little furniture factory in New Jersey.

The CHAIRMAN. I know the remarkable developments of the older people, but the younger ones, it is surprising that you have people under 55.

Mr. CARSTENSON. They are waiting in line for a job that pays \$1.60 and earns \$1,500 a year.

Now that is the nature of the problem in rural America and what is happening to people out there. I do have to say this, and I think our Green Thumbers will also say, that the reputation of Green Thumb and the quality of work that has been done, is something that makes a person proud to be a participant in it.

Unless you want to question more on this, you might want to have them comment about it.

The CHAIRMAN. You know there is a great need that comes to me casually and perhaps personally. The inability to get people to do the handy jobs around the house, repair broken windows—you know, just the repair work, home maintenance. It would seem to me that this could be an area that could be alive with money-making opportunities.

#### "KELLY GREEN"

Mr. CARSTENSON. Our board and advisory committee have considered it and we think that it is possible to set this up. We have released Green Thumbers for this kind of temporary work in a variety of things. Over 200 Green Thumbers have been released for a period of time to do these temporary kinds of jobs, but we feel it is possible to set up a rural equivalent of Kelly Girls.

In fact, our board was kicking around "Kelly Green" as maybe our answer to the temporary help plan in rural areas. One of the big problems that rural employers or persons have is a matter of insurance, social security, these kinds of things. We are hopeful that during this next year we can come in with a definite experiment to see if we can do for rural older persons what the Kelly Girls have done for the young urban ladies.

The CHAIRMAN. Well, your people have moved out of rural situations exclusively into the cities. Remember when we were at Trenton. Why do you always say "rural?"

Mr. CARSTENSON. Well, about 95 percent or 98 percent are rural. I think Trenton was the only city in which we are that is of any large size. Almost everything else is fairly rural. Although we are working in a number of urban areas, the people are of rural background or live in the rural areas.

In Jersey, for example, most of the persons we are employing live out in rural New Jersey, although they may be working in the cities.

The CHAIRMAN. It does not have to be this way. The limitation here is only money and organization around recruitment in the city areas, isn't it?

Mr. CARSTENSON. That is right, although we have tried to encourage other groups to get into it, the National Council on Aging, the National Council on Senior Citizens, AARP. Actually what we are talking about the last year with the OJT and everything, we employed about 3,000 people, at any one time about 2,000 on Green

Thumb and 280 on Green Light. If you consider all the programs together, all the Mainstream programs, you might get 10,000.

There are about 3 million older people in rural America right now who are in need of a job and who are poor and very, very few of these are on public welfare or get any other kind of help and who desperately need this job. So actually all we are doing at this point is demonstrating what we have got to do is to tap into larger efforts.

#### DOUBLE USE OF PUBLIC FUNDS

For example, this morning someone suggested again an idea which we kicked around about perhaps tapping into the highway system to some of the trust funds there.

Another case, I think it was Congressman Quie and I were talking about the possibility of setting aside a certain proportion of the pollution and environmental funds, maybe only 2 or 3 percent, which they would use to employ older low-income persons to do the work. We really need to get double duty out of money, Federal and State moneys, and we ought to start looking at all public service jobs and saying what portion of this can we use to employ older people in these jobs, who desperately need them.

There are an awful lot of jobs, as we have been able to show in Green Thumb and in Green Light, and in these jobs we have been able to place them. These people have got the skills, they have got the ability, they have got the enthusiasm, they have got the talent, and if we will just make room in our public policy so that they can employ and encourage them to employ older people, then we will get the kind of jobs that we are talking about.

For example, on the Federal road programs now I would dare say that practically none of that is going to employ older poor persons. Particularly the restrictions that were put onto them in the way it was operated, it just pretty well precludes anybody over 65.

The CHAIRMAN. I think you have arrived at something that should be pursued with diligence, tying employment opportunity into programs where there is need.

Now take the open space program. Money for acquisition, fine. But how about part of that for that maintenance with a specification for older people to be the maintainers? Is this the sort of thing that you are thinking about?

Mr. CARSTENSON. Yes. We think that we need to make double use of our public funds, not just do the job on open space or highways or on environment or even education. For example, I think you well know that I came up here to the Hill when I was working as a legislative representative for the Farmers Union, pushing for Federal aid to elementary and secondary schools.

Frankly, too much of that has been wasted. I am very sorry about some of the things that have happened in that program. I am thinking here of Helen, where I think if money had been much better spent, if we could even have employed maybe a quarter million teacher aides and library aides and others where you get double duty, and I guarantee you that Helen will do a better job than with some of the things that have been happening with that money.

## EARMARKING OF FUNDS

Mr. ORIOL. Dr. Carstenson, you have said on many occasions that unless you earmark for the elderly or set up special programs for the elderly, they will be forgotten.

Mr. CARSTENSON. That is right.

Mr. ORIOL. But on the kind of approach you are now discussing, which would involve many Federal programs and would focus national attention, do you see the possibility here of requiring those funds to be earmarked not only for the elderly, but also for certain groups of the young?

Mr. CARSTENSON. I could see that very easily. In fact, I would not mind it if it were just for all poor people to get a chance for a job and not just for the elderly if it was clearly set up that that was one of the areas that they needed to include in it. I really believe we need to provide jobs for older people who need them.

Mr. ORIOL. In strictly tactical terms that "the elderly be forgotten," do you think that the young could be included, too?

Mr. CARSTENSON. Well, let me tell you, you have got to keep pushing on the elderly as well, because even my very good friend Congressman Jim O'Hara from Michigan, when he introduced his bill for jobs for low-income persons the first time around, he put in limitations that prohibited persons over 65, and it was not until we really pushed on it that we were able to convince him that he needed to change that so that the older person could be employed.

Bill Hutton said that about 98 percent of the 200-some cosponsors have agreed to that amendment and to change it so that the elderly can be included. They will be excluded unless you really put strong language in to insure that they get a fair share of it.

## 5% INCREASE DISCRIMINATES AGAINST RURAL ELDERLY

Mr. ORIOL. I don't know whether you have had the opportunity to read press accounts on the House Ways and Means Committee action yesterday on the social security bill.

Mr. CARSTENSON. I have not. I was up in New Jersey, tending to New Jersey Green Thumb and I have not had a chance to.

Mr. ORIOL. As I remember it, it is a 5 percent across-the-board increase, increases in the taxable base from \$7,800 to \$9,000, I believe, 100 percent for widows, and different base of computation for men's benefits. I do not see anything in the press accounts about an increase in minimum benefits. Do you find anything missing in the House Ways and Means Committee action that is especially meaningful for the rural elderly?

Mr. CARSTENSON. I would say unless there is an increase in the minimum, that they have been forgotten again.

Miss McCAMMAN. The change in the retirement test would also help in the job opportunities area.

Mr. ORIOL. Yes, that is right.

Mr. CARSTENSON. About 5 percent of a minimum, which is what the rural older person usually gets. What they usually get is simply not the 5 percent that the person who is or approaching getting, the maximum gets. If you remember that the person who is approach-

ing the maximum is usually the industrial worker who has had a good pension plan, we then will get a wider spread in the income of older people. You might say—we can't quite call them "get richer" but those who are better off, those with industrial union pensions make out much better under a 5 percent increase than the person with the minimum.

Although the widow increase will help considerably—that will be a major step forward—this 5 percent business is very discriminative against the older rural person in general.

#### MEDICAL CRISIS IN RURAL AMERICA

Mr. ORIOL. What effect do you think the rise in Medicare part B premiums will have upon the rural elderly?

Mr. CARSTENSON. Well, again, the Farmers Union has opposed the rise in these costs, but we are running into a more serious problem in the rural areas, and this is county after county after county with no doctor, no nurse, no hospital.

We are at a medical crisis in rural America right now that is going to get worse, but we just simply don't have them; you cannot buy them at any price. Too often today in rural areas, and particularly in the Northwest, the only way they can get medical care is to send them off to the Mayo Clinic or somewhere like that. We are just getting to the point where there are not enough doctors out there. No health care at any price.

Miss McCAMMAN. Is this reflected in the fact that the statistics on how much is paid per enrollee under Medicare are almost always lower in States that have a large rural populations? To some extent, it is probably a difference in the charges for hospitals and doctor fees, but it is also a reflection of the lack of availability?

Mr. CARSTENSON. Yes, and the lack of discovery of medical problems. For example, as our medical bus down in Arkansas showed, that when they went out and did these examinations, they found about 40 percent of the people that they screened had medical problems that they were really unaware of, that needed to be referred to a doctor but were not.

Now, any of the tests made of the urban older person show a much lower rate of discovery. While our medical bus is real good in its ability to discriminate and define medical problems, the fact is that there are a lot more of the people out there who have medical problems they may be trying to still solve with Lydia Pinkham's medical discovery or Watkin's products. This is about the state of medical care in too many of our rural counties.

#### MEDICARE PART B PREMIUM INCREASE

Mr. ORIOL. What would your attitude be to legislation that might insist that the Medicare part B premium increase not be implemented and that the cost for the additional \$1.30 be paid out of the general revenues?

Mr. CARSTENSON. We would like to see a higher proportion come out of general revenues, one-third, but we would like to see the costs drop.

A real key thing in this is that we would like to see more emphasis placed on prevention and screening, the diagnostic tests, and that would be free also.

Mr. ORIOL. Another point. I am talking about an action to be taken between now and July 1, when this new Medicare premium increase would go into effect.

Mr. CARSTENSON. We would strongly support any effort to cut out the deductibles, keep them down or reduce them or cut them out.

Mr. ORIOL. You were about to talk about preventive medicine?

#### PREVENTIVE MEDICINE

Mr. CARSTENSON. I think that this committee has taken the leadership in this area, but I think we have got to move. If we are going to keep our medical system in this country at all, it has to move into public legislation, public efforts, it has to move more in the preventive areas and particularly in the screened diagnostic tests.

One thing I wanted to mention is that in the last national health survey, one in six older people were found to be malnourished—that is, getting less than half the basic nutritional needs, and a second person in six is also undernourished but not quite that bad.

Now, to give you a real good area of preventive medical care that could be carried out, it is in the area of nutrition. A survey found that older people were particularly short in Vitamin C, Vitamin A, and hemoglobin. Yet when you go over to the Food and Drug Administration today they say, well, we should be able to do away with all vitamins because if a person ate a decent, balanced meal, he could get all his nutritional requirements. Yet here we find one in six older persons are malnourished and a second person in six that is just slightly better off than this.

Most doctors do not really understand nutrition particularly well; there is little place in the society or in the agencies where a person can turn for information about nutrition.

Older people have a general problem of loss of appetite to some extent. One of the things that is related to age is the loss of appetite. Perhaps it is more related to loss of activity and stimulation, and the problems of eating right and getting the right food—Senator Hartke was talking about this in Kentucky; I know you have talked about it many times—yet we are doing very little in this area of nutrition to help an older person be able to eat better, to be able to have enough money to buy food, to have enough on the table, but also to be able to understand the new foods that are coming out.

We have to look at the problem of labeling. Food cost for older persons is 5 percent greater than it is for younger persons. Say the age 55 to 65 and the 65 and above, 65 and above have 5 percent more food costs, and part of this is the way they have to buy food, part of the special foods that they buy. We need more help in this, and we are getting practically nothing in today's effort.

Incidentally, we do have a few Green Lighters who are working on nutrition education now, but it is a drop in the bucket in terms of what the need is.

The CHAIRMAN. Now, you know older people increasingly are gathering in senior citizens' centers and other institutionalized

gathering places. Isn't this one of the activities in these centers, the understanding of nutrition and the body's needs?

Mr. CARSTENSON. It should be, and it is in many, but there are darn few places that a person can turn for a person to come in and give a good speech on it or give a good talk or lecture or demonstration. Too many of our home economists are still untrained. Speeches, films, audio-visuals are important, and there are not many available.

The CHAIRMAN. That is what I was going to get to. Is this being provided?

Mr. CARSTENSON. No.

The CHAIRMAN. The educational means are being developed to get to people and they are easier to reach at least in urban areas all the time because of the increasing numbers that gather.

Mr. CARSTENSON. Right. Incidentally, our Green Thumb and Green Light programs are working hard to try to catch up by creating new senior centers in rural areas. The Green Light women service these, and the Green Thumbers in the wintertime will come in and fix up a senior citizens' center in rural areas.

The CHAIRMAN. And urban areas.

Mr. CARSTENSON. Urban areas, too.

The CHAIRMAN. I get you oriented this way.

Mr. CARSTENSON. I know that in Trenton you have seen our beautiful senior citizens' center.

The CHAIRMAN. The center by the park that we visited.

Mr. CARSTENSON. That is quite a center.

The CHAIRMAN. It is.

Mr. CARSTENSON. We are very proud of it.

The CHAIRMAN. This sort of a spiritual experience that these folks have, gathering together. You know the housing they have is in an abandoned church.

Mr. CARSTENSON. Yes. We are very proud of it. John Reed, who heads up the crew that worked on there, said to be sure to give you his best regards when he was at our meeting yesterday.

The CHAIRMAN. We were talking wedding bells with John.

Mr. CARSTENSON. Yes. He is getting cold feet at the moment, but I promised him if he decided to get married that we would all have to come up there and join in on the occasion, but he is toying with it now.

#### TRANSPORTATION IS THE BIGGEST PROBLEM

One of the big problems that came up yesterday again in our New Jersey Green Thumb is transportation. I know it is not a new problem at all to the problems of older people, but it came up in relationship to—jobs that we can get for Green Thumbers in New Jersey, but the biggest problem is transportation.

The CHAIRMAN. Yes.

Mr. CARSTENSON. Very serious problem. We have problems in terms of getting our Green Thumbers to the job. We have not had very much experimentation in urban areas, except a reduced bus fare and we have had none in rural areas concerning transportation problems for the older person.

The CHAIRMAN. You know, to get back on the nutrition item, are they doing anything in this area?

Mr. CARSTENSON. Doing some experimenting, yes.

The CHAIRMAN. Experimenting?

Mr. CARSTENSON. We are all doing a little bit, but what we really need to do is get the Public Health Service and the Extension Service to really begin to provide the resources. We need to do the job in terms of the Institute of Mental Health and Public Health Service to educate the doctors. I am appalled continually at the lack of information that doctors and nurses have about nutritional problems of the elderly. If they get into hospitals, it is a little different, but we have got to do more in this area.

The CHAIRMAN. We had better not get into that. We all have our personal, individual events about the lack of medical education in terms of the old human beings, his needs for better health.

Mr. CARSTENSON. I am wondering if we might ask the Green Thumbers and particularly the Green Lighters to make a comment.

The CHAIRMAN. Could we go to John Guy Miller.

Mr. MILLER. On page 6 you refer to the Green Thumb on-the-job training program, and on page 7 of your statement you list the jobs. I need a little bit of clarification on this. These are jobs that are outside of federally subsidized programs, is that correct?

Mr. CARSTENSON. That is correct.

Mr. MILLER. The question was asked about the rate—

Mr. CARSTENSON. Some of these are with private companies with government contracts. We do have some local government placements.

Mr. MILLER. I think a question was previously asked about the rate of compensation but I would like to reask the question. At what annual rate do these jobs tend to run?

Mr. CARSTENSON. Ken, do you want to comment on the range.

Mr. GOODE. Our average pay right now for the 500-some placements is about \$4,700.

Mr. CARSTENSON. \$4,700 a year.

Mr. GOODE. Annual.

Mr. MILLER. The reason I asked this question, I did some rough calculations yesterday. Assuming a person is over 65 and has average earnings of about \$3,400—this is the single retired worker at about \$3,400—he loses all of his social security benefits. This is one of the reasons that I was inquiring about annual rate of compensation because at these wage rates, particularly for those over 65 drawing social security, the workers are losing most, if not all, of their social security.

Mr. CARSTENSON. 65 to 72 is a real problem.

Mr. GOODE. I have done a lot of research on this because I work with it every day and I think that the ideal salary seems to be around \$5,600 for this individual. Otherwise, the benefits that he receives, he puts in about 130 more workdays for very little money.

Mr. CARSTENSON. Per year.

Mr. GOODE. Actually he is working those days for absolutely no money at all because he loses his social security and even at the minimum social security, which right now might be \$700 and he is getting \$1.70 an hour; this is a lot of days that he has to work that he does not receive any more benefits.

Mr. CARSTENSON. That is, compared with staying on Green Thumb, earning \$1,500.



I would like to suggest, Ken, that you submit for the record the chart that we worked out showing the comparisons of income and what it takes to make a job in the age group 65 to 70 so attractive a thing for a person who is earning \$1,500. Do you have any comments?

Mr. GOODE. No.

Mr. CARSTENSON. Would you like to hear the Green Thumbers?

The CHAIRMAN. Yes.

Mr. CARSTENSON. Helen.

#### STATEMENT OF MISS HELEN HAYNER

Miss HAYNER. I am very thankful to be here, also to be on the Green Light program. It has been a lifesaver to me, although, as Dr. Carstenson said, I taught school. When I taught school, the rates were not at all high and the teacher's pension and social security were based upon the earnings, so there was not too much to live on. So I have been doing all kinds of odd jobs until I got onto the Green Thumb and then, now, on the Green Light.

This has helped me so much. While I was not earning much of anything, I got way behind on my taxes, so I have been paying up delinquent taxes and loans and such as that, and it has really been a lifesaver to me.

The same thing has been such a help to the other girls in the group. Some of us are working as teacher aides in the schools, doing different types of work, some as welfare aides, some on lunch programs and such as that and also the library as aides. I have done quite a bit of work in the library, too. Also, we go to Outreach programs.

You spoke about transportation for the elderly as a problem. There is a case in a little town right near Antigo where I live that one of our Green Light members brings in an old couple up in their eighties, she brings them into town at least once a month to go to the doctor and get drugs and food supplies and such; otherwise they would have no way to get in at all.

We have one girl who is working with the welfare department, going out and calling on older couples who are sick, also shut-ins, and helping them in whatever way she can that way. We could get a great many more people to work on all this.

Oh, yes; on this outreach, we all go to see some people who are shut-ins, invalids and sick, to call on them just to pat them on the shoulder and make them feel better and do a little work, help them in whatever way we can, run errands and shop with them. We are hoping to continue this work and broaden out because there are many people who really could use a job, very, very well, but this depends on the contract and on the funding of the program.

I personally have been very happy to be on it, and all the girls are. I know some of them have changed very much. They get out more, they meet with different types of people. It is social, and well, what would you say—mental help as well as financial.

The CHAIRMAN. What is your community; how large is the community?

Miss HAYNER. Antigo, Wis., is about 10,000. We have people working in two little villages nearby, about 25 or 30 miles out, which

have—I don't know how big, just tiny, little villages. So our supervisor has quite an area to cover when she comes to visit us. They appointed me as area representative, so I contact each one and keep in personal touch to help them with all their problems.

The CHAIRMAN. It sounds exciting and great.

Miss HAYNER. It is very interesting. It is hard work sometimes. I would like to have gone back into teaching, but, of course, in our community, we have a superintendent now who, as soon as a teacher or even a person who helps with the lunch programs, becomes 65, they are retired.

The CHAIRMAN. Now, you mentioned the Green Light program reaching to lunches. Where would that be?

Miss HAYNER. That is in the schools, too, but from these little villages outside of town mostly.

The CHAIRMAN. I see.

### THE URGE TO WORK

Miss HAYNER. We wash off the tables and patrol the halls, watch the children in and out and such as that at school, too. In one of the little villages, one of the workers is working with the children in remedial work, and one is doing some office work for extra money. But it is kind of hard to break in the first year to get enough jobs to open up in the type of work we would like to do.

I probably should stop now, but I have been very, very thankful. I went to a meeting when I was on the Green Thumb, State meeting, where there were a couple hundred men, and Dr. Carstenson was there that time, too, I remember. They took a roll call by groups, and I was amazed to see them stand for 60, 70, 80, even some in the nineties. I noticed that they were not old people in one sense of the word; they still had the urge to work. They don't want to be laid on the shelf and given a handout in welfare; they want to work and earn their own way. I think that is the way we all feel.

Thank you.

The CHAIRMAN. Thank you.

What is the funding situation right now for the Green Thumb and Green Light program?

Mr. CARSTENSON. We have had our temporary extension. All the senior programs have been extended into July. It seems like they are trying to get everything funded up until the new fiscal year, you know; so we got a 5½-month extension. So the whole thing will be coming up July 15 for Green Thumb.

The department has put out a bid for a quick evaluation of the Green Thumb and the Senior Aides programs and the other programs. So far that contract has not been fulfilled, they wanted to get outside evaluation.

One of the big problems is that at this point we have only a part-time person, very good man but he is only part-time, who is handling all the senior programs, and he does not have a chance to get out and see any of the programs.

The CHAIRMAN. Where is this part-time person?

Mr. CARSTENSON. The part-time person is in the Department of Labor, one part-time person who is in charge of mainstream in the

senior program, is Frank Dawson. He is a very good man, but he is spread awfully thin.

One of the reasons, I think, we are having problems over there is, they don't have enough staff at that level to reach out and actually go out and see, a Green Thumber in place of a Green Light worker in place. Quite frankly, they can't understand how they are so popular, because they are not in the community to see the programs like the Senators and Congressmen and others are.

Miss HAYNER. May I say one more thing. For quite a little while now, the biggest worry that our Green Lighters have—and, I think, probably quite a few of the Green Thumbers, too—is: Will there be a new contract? Will we be funded? Can we keep on working? Because everybody says: "I don't know how I will get along without Green Thumb or Green Light."

The CHAIRMAN. What is the answer to that question, Blue?

Mr. CARSTENSON. I think the key is if we could get the Department of Labor to actually go out and see the Senior Aides and Green Thumbers and get an evaluation of it. If they were to see it, I think they would feel differently. It is a case where travel restrictions and lack of staff have really made it difficult for them to evaluate the impact, because it does not fit into any of the normal schemes of their thinking that they have been traditionally used to in the Department of Labor. We need to help to get some of those persons out to see this.

The CHAIRMAN. I am glad all this discussion has come about now. We are already deciding to write a letter to someone over there in the Department of what you have said here. I just had an idea that maybe having given Secretary Shultz so many problems. I will now open his eyes to an opportunity to write to him. Why not.

Mr. CARSTENSON. This is the one program—Green Thumb—that has never given him any problems except the requests from various people and governors and local people for expansion. It has been the one program that has shown only reflected glory on the Department of Labor.

The CHAIRMAN. That is exactly the way I am going to couch this.

The attention to this can mean only one thing—true success for the people in the program. That is where we got that bill.

#### STATEMENT OF EARL BAKER

Mr. BAKER. I worked on the State highway, and it was surprising the number of deadbeats. It seems a lot of them thought that the party owed them a living.

The CHAIRMAN. You are talking language that I don't even understand. What party owed them? To whom was the living owed, by what party and people? What are you talking about?

Mr. BAKER. Well, the party in power that I worked under.

The CHAIRMAN. I see; the political party of the Governor; is that what you are saying?

Mr. BAKER. That is right.

The CHAIRMAN. Oh; it is somebody living—

Mr. BAKER. Yes.

The CHAIRMAN (continuing.) In Indiana?

Mr. BAKER. Yes.

Mr. CARSTENSON. That is the way it is.

Mr. BAKER. When I got on Green Thumb, I was amazed at the way these old men worked. The first thing the State highway did, we were to clean off a park. Well, they soon had it done and finished and the fellow that was our boss, a landscape artist, said: "Earl, if you don't stop those men, we cannot keep them in work, if you don't slow them down," but they never did slow down.

The CHAIRMAN. That is very interesting. That is great.

Mr. BAKER. We have been working since 1966.

The CHAIRMAN. This was a park, you say?

Mr. BAKER. Yes.

Mr. CARSTENSON. Very beautiful park. I have been out there to see it.

#### GREEN THUMB—A BLESSING

Mr. BAKER. So it surely has been a blessing to all of us. When I started, I was pretty badly in debt on account of hospital and doctor bills, and my wife is a semi-invalid. The first thing I did was to pay all that off, working on Green Thumb.

We have never had any trouble, just like one big family. There are more people that want to work than we have money to hire them. We could use two or three times as many men, and they are on the waiting list, but there is not enough money. We have got plenty of work for them to do.

The work that we do would never be done if it was not for the Green Thumb. We worked for the State for 2 years; now we are working for the county and city parks and so forth.

It has not only been a great blessing financially for the men who need the work so badly or the money and the work, too, but it has helped them in so many different ways psychologically and physically. Some didn't even know whether they could even work when they started.

We have one man that is 82 years old and others in their seventies, but as soon as they started, they found out they could do the work, and they have done a wonderful job. Seldom a day passes that someone doesn't stop and congratulate us on the fine job we are doing. We do an outstanding job in whatever we do, and I have been told that hundreds of times by people, that this is the finest program the Government ever started.

The CHAIRMAN. Could I ask now—you started off, working, cleaning a park—

Mr. BAKER. Yes.

The CHAIRMAN (continuing.) What other kinds of jobs, not to go into detail?

Mr. BAKER. Well, our work has mostly been cleaning roadsides for 2 years for the State highways and now we are working for the county and it is the same thing. The roadsides are grown up; it is dangerous to travel a lot of them. We also cleaned out the park twice; it was in terrible shape the first time.

The CHAIRMAN. French Lick, now you are moving into the city?

Mr. BAKER. Yes. Then also Tucker Lake, that big watershed lake over there, we worked for a month over there.

Mr. CARSTENSON. This is a big tourist area in French Lick, Green Thumb has helped to beautify the area in terms of the tourist trade as well.

Mr. John Crosby.

#### STATEMENT OF JOHN CROSBY

Mr. CROSBY. I am from Wheatland, Pa., just outside of Ohio. I am working about 60 miles from Ohio, where we work at what we call the Sandy Lake. We work in water, forest, and the dam. We fixed that, and we are making park areas. We are raising fish, too, and enjoy ourselves, and I have enjoyed it very much. This is the third year that I have worked. The first year, I worked only about 2 months and a half, and the second year, I put a nice turn in because I didn't make the limit, I believe, last year.

I was a foreman part of the time and my income was poor, and by being on Green Thumb, that gave me a big hand and I was able to help some more people out of that. I am age 72, and I feel like I could do just about as much as I did when I was 42.

But anyway, the Lord has blessed us, and we have enjoyed it. There are lots of people where we are working, that if they could get an opportunity to be on this job, they would work. We could use at least 50 more men to cut timber where the pond is, you might call it a water forest for fishing and boating. We cleaned that out beside the highway so that people might be able to get down in there and see it.

We are putting out trees in the State park, and I think we could use, another 75 men. Forty or 50 have filed applications that would like to get in there to work to make a little something or other. Some of the people that have applications to work, have not made, you might say, anything in a couple of years, but just a little social security, and they would like to get on, but now I cannot put them on.

One person, I know his wife had a stroke, and I think it mostly takes what is made on Green Thumb to keep them going.

Mr. CARSTENSON. We have many more Green Light opportunities in Pennsylvania and they have some very exciting efforts there, both as health aides and as community center aides, right in your area.

Mr. CROSBY. Right.

The CHAIRMAN. Let me make an observation here. The Green Thumb program has been in existence for 4 years.

Mr. CARSTENSON. Yes.

The CHAIRMAN. And the Green Light for a year or better?

Mr. CARSTENSON. Not quite a year.

## UNBROKEN DESCRIPTION OF SUCCESS

The CHAIRMAN. Now, we have had testimony before this committee, I have gone to meetings and I have gone to work areas, and it has been an absolutely unbroken description of success. I have never heard of anything new—there are growing pains and problems and failures and discontent—I have not heard of any in this area.

Mr. CARSTENSON. The same is true of AARP and the National Council on Aging. When you start dealing with giving work opportunities to older people, you can hardly fail; it is simple. As we have said, if you just give the opportunity to an older person, he or she will take the ball and run with it and do miracles that are just really incredible.

We have had problems, for example, we had a temporary situation in New Jersey, they were taking Green Thumbers onto their payrolls and it took a little time for them to learn how to make sure they really fit it into their system.

But now that it has happened, when we met with them yesterday and helped them with their problems, their program is beginning to takeoff now and is doing exceedingly well.

I think that is the real secret of it; it does take a little time to get started, but all you have to really do, in farm language, if you give them a head, they really go right ahead. And they know how to do the job in the parks and the work; we don't have to teach these men how to go ahead and do the job. They know better than we, and they know what work means.

The CHAIRMAN. Oh, I remember a failure.

Mr. CARSTENSON. Oh, yes.

The CHAIRMAN. In my hometown.

Mr. CARSTENSON. But that was because they didn't want them to turn the park over to the public body; the church wanted to keep it.

The CHAIRMAN. We got caught in a legal entanglement, and that is always the way when noble objectives get enmeshed in legal technicalities; that is when trouble begins.

Mr. CARSTENSON. We just never could get the door open to work on the particular project.

The CHAIRMAN. This is good, the maintenance and sort of rehabilitation of a revolutionary cemetery.

Mr. CARSTENSON. That was on private church property, and we could not work on it until it became public in nature, and that was the problem.

Miss HAYNER. Could I say something?

The CHAIRMAN. I could see the legal problem because it was a cemetery and the property ownership was confused.

Miss HAYNER. I helped paint the fence.

Mr. CARSTENSON. On a public cemetery.

Miss HAYNER. Yes, and with the project of painting and cleaning up the school which had been turned into a town hall. I have often said we can do anything if we get the chance to prove it.

Mr. CARSTENSON. That is up in Wisconsin on a project.

Mr. BAKER. There is not one of our group who expected to be on a payroll.

The CHAIRMAN. I beg your pardon. You never expected what?

Mr. BAKER. None of our group ever expected to be on a payroll, and when they got this chance through the Green Thumb, they were so happy and glad and they proved to everyone that older men are capable of doing where they get the will, and they have got it.

The CHAIRMAN. Now you have been joined by the ladies, Mr. Baker.

Mr. BAKER. Yes.

The CHAIRMAN. So all is well.

#### STATEMENT OF ALEX BASHAN

Mr. BASHAN. Since I got on Green Thumb, I have been able to fix my house up, and improve the way for a better living.

I think the Green Thumb is wonderful, and I have this great bunch of men. Down on the Ohio River, we helped beautify that along the banks.

The CHAIRMAN. You are from Borden, Ind.

Mr. BASHAN. That is right. My crew works in Jeffersonville with the Parks Department.

The CHAIRMAN. This has been absolutely great.

Mr. BASHAN. We take care of about 15 parks in the town.

The CHAIRMAN. How large a town is it?

Mr. BASHAN. I don't know; I judge around 10,000, 15,000. It is not too big a town.

The CHAIRMAN. And 15 parks?

Mr. BASHAN. Yes.

The CHAIRMAN. Well, that speaks well of that community, I will tell you that.

Mr. BASHAN. And the riverbank. We have a mild river shore there we keep beautified.

The CHAIRMAN. Is it cluttered and polluted and all that?

Mr. BASHAN. In the water, the water is not ours; we keep the banks clean. The water belongs to Kentucky.

The CHAIRMAN. You know, we were talking about pollution, and you can see how you folks could move right into that part that you could reach and change, the bankside litter, for example, or I can think of the beaches like the Indiana Dunes. We tried to make a great national park out of that, but that did not work yet.

Mr. CARSTENSON. It is staggering along.

The CHAIRMAN. At any rate, cleanup is a contribution to dealing with that kind of pollution.

## WORK IN ANTIPOLLUTION AREA FOR ELDERLY

Mr. CARSTENSON. Sample testing and doing these field checks. These could be done by older persons that don't have to have a master's or doctorate in some sort of special field, but a lot of work in the antipollution area could be done by older people as well as in the conservation and beautification and all these fields.

Mr. BASHAN. I suppose they are trying to get a Federal park down at the falls of the Ohio. I think it is in Congress now. That would be a lot of good work there if they get that through.

Mr. CARSTENSON. The Forest Service has begged and pleaded for help, and we are working with the U.S. Forest Service in a number of situations, including a very dramatic one in Arkansas, where we are going to be helping to open up a cave as big as Carlsbad I think you were down in the cave there, Bill.

Mr. ORIOL. I was in the cave.

Mr. CARSTENSON. It is quite a dramatic thing. We are doing a variety of things. There is almost no limit. I would say I have not found any limit in the ability of older people, that there is no such thing as ability limit on age whatsoever.

The CHAIRMAN. Anything else?

Mr. CROSBY. There was one gentleman, a very young man, he was just 94 last year, in January. His eyesight got too bad and he just resigned this year; he said he would not tackle it any more. He said he could not see well enough, and he didn't want to get out there, he might get hurt. A man who got hurt in Pennsylvania where we were working, said: "Everybody works for safety." I have done almost every type of work that a person can do except make iron. I welded iron, I heated iron; I railroaded, sawed logs, rode logs on the river, most anything—sawmill. So they call me the handyman sort of where I am on the job. Most anything they want to tackle, I don't mind.

The CHAIRMAN. Very good.

Mr. CROSBY. Thank you.

The CHAIRMAN. Thank you very much.

Mr. BAKER. Another thing, no matter how disagreeable our work has been, I have never heard a gripe or complaint. It was not that way on the State highway; they were always complaining.

The CHAIRMAN. It is amazing really. Thank you very much, all of you.

Mr. CARSTENSON. Thank you.

The CHAIRMAN. National Retired Teachers Association of Retired Persons, Mr. Bernard E. Nash, Mr. Cyril F. Brickfield, Mr. Peter W. Hughes, and Mr. Robert F. Sykes.



**STATEMENT OF BERNARD E. NASH, EXECUTIVE DIRECTOR, NATIONAL RETIRED TEACHERS ASSOCIATION AND THE AMERICAN ASSOCIATION OF RETIRED PERSONS; ACCOMPANIED BY CYRIL F. BRICKFIELD, LEGISLATIVE COUNSEL; AND PETER W. HUGHES AND ROBERT F. SYKES, LEGISLATIVE REPRESENTATIVES**

The CHAIRMAN. Mr. Nash, you are sitting in the middle; you are chairman of the panel?

Mr. NASH. Yes, sir.

The CHAIRMAN. You may proceed.

We certainly welcome you here, gentlemen, and appreciate it so much. Any way you want to proceed. We are looking forward to this.

Mr. NASH. Thank you, Mr. Chairman.

I am Bernard E. Nash, executive director of the National Retired Teachers Association and the American Association of Retired Persons. I am accompanied today by Cyril F. Brickfield, legislative counsel, and Peter W. Hughes and Robert F. Sykes, our legislative representatives.

Our associations have a combined national membership of more than 2 million older Americans. We are nonprofit, nonpartisan organizations of persons age 55 or over who believe that dignity, independence, and purpose enable the older person to continue a life of meaningful activity, usefulness, and service to others.

We appreciate this opportunity to appear before the committee and continue our associations' support of the fine work the committee has done in conducting this comprehensive study on the economic problems of our older Americans.

Mr. Chairman, these hearings on the "Economics of Aging: Toward a Full Share in Abundance" will stand as a landmark in the years to come as we continue to grapple with the various problems of aging. Before this series of hearings began, we knew about the economic plight of large numbers of the elderly. The task force report, the background papers, and the testimony by dozens of witnesses before this committee, however, have offered additional docu-

mentation and forcefully dramatized the harsh realities which must be faced by so many older people.

But the report, the papers, and the testimony did much more. They have given us an assessment of the great strides we have made in the past and of the tremendous tasks still facing our Nation in dealing with the economic problems confronting all Americans facing retirement years. They have shown us what our future action must be; they have pinpointed the problems we must solve for the generations of older people to come.

As Professor Kreps stated so eloquently at the opening hearing:

One of the things we know for certain about my aging group is that it has no future. The young become middle-aged and the middle-aged become old, and the old die . . . The composition of the aged will therefore shift in time . . . but the condition of the aged will not shift, not unless we reshape social policy.

Mr. Chairman, at this point I would like to call the attention of the committee to the charts which are displayed in the hearing room this morning. We have prepared these charts to illustrate geographically the economic problems confronting our present and future retirees. While I will be referring to several of the charts in the course of my statement, time prohibits a detailed examination of each one. I would therefore request that the charts be included in the record as part of my testimony and would hope that they will prove to be useful for those who will be basing their decision and proposal on this, because they are the result of some rather detailed and complex studies on our own.

The CHAIRMAN. Now, what are we going to do with these, Bernie?

Mr. NASH. I would request that these over here, Senator, be included in the record, although I will not be referring to those specifically. We also would like these in the record, but I will be referring to these later.

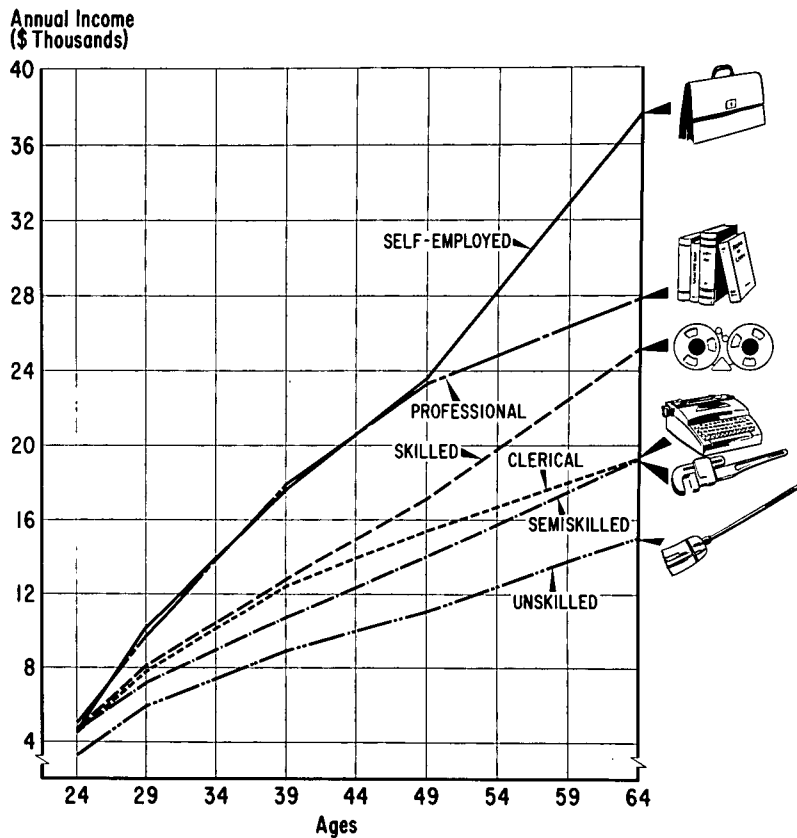
The CHAIRMAN. Very good.

Mr. NASH. Time prohibits discussing these exhibits in any detail, but I am sure that each of these have meaning to the committee and to other persons and students of this problem, as a matter of record I am sure they will be of use. We have explanations of the charts that will also be included.

# ECONOMIC GROWTH WILL CAUSE WORKLIFE INCOMES TO SOAR

Estimated average annual incomes through worklife with economic growth component included for workers aged 25 and under in 1960-61

Source: 1967 Survey hearings, U.S. Senate  
Special Committee on Aging, P. 60



## ECONOMIC GROWTH WILL CAUSE WORKLIFE INCOMES TO SOAR

### SOURCE

Based on BLS Report 237-8, analyzed in "Lifetime Earnings and Income in Old Age" by Juanita M. Kreps and Donald E. Pursell. Included in testimony of Dr. Kreps at 1967 Survey hearings of the U. S. Senate Special Committee on Aging (p. 60) and reported in detail in Joint Economic Committee *Compendium*, part II, pages 261-4.

### TECHNICAL NOTE

Data on which the analysis is based are from the Bureau of Labor Statistics study of Consumer Expenditures and Income in 1960-61. This cross-sectional study provided data on income for several occupational groups at different ages of the family head. The chart shows the authors' estimates of average annual incomes (after taxes) as the age group moves through worklife, illustrating the combined effects of economic growth and experience on worklife income.

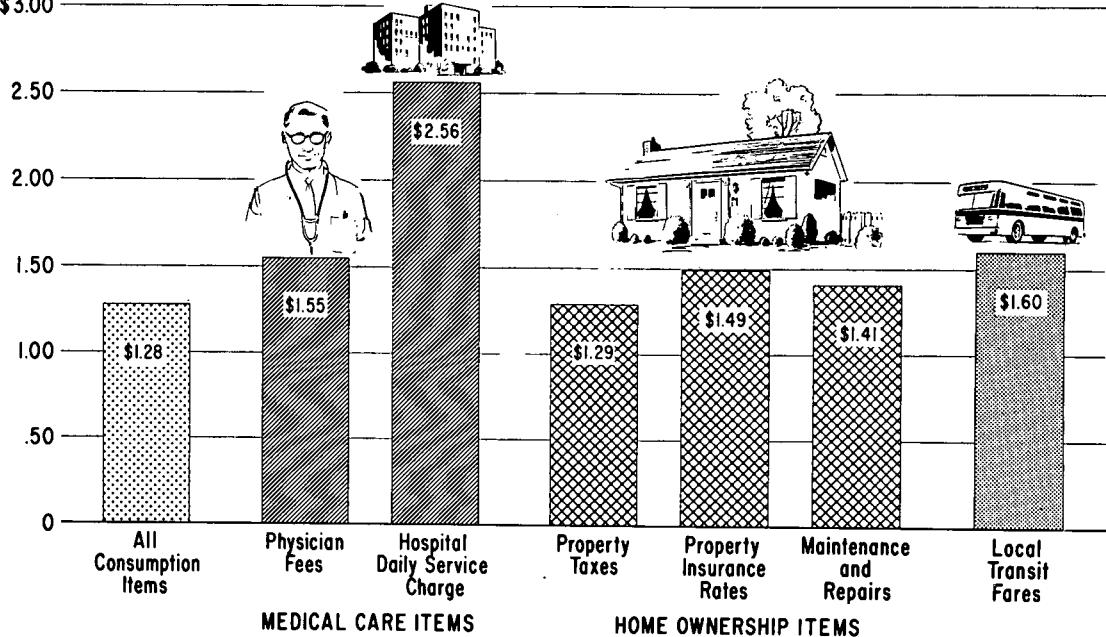
### THE FINDINGS

At the time of retirement for most workers, average incomes in all occupations will be quite high by today's standards, once the impact of economic growth is taken into account. Projected incomes for clerical, semi-skilled and unskilled workers are of course much lower than incomes of the other occupations, especially the self-employed and professionals. But even in the lower-paying occupations, incomes at the end of worklife may be expected to be three or more times their initial levels. At retirement, then, incomes for those who are fully employed are likely to be at their peak.

# PRICE RISES THAT HURT THE MOST

PRICE IN 1969 (AVERAGE ANNUAL) FOR SELECTED CONSUMPTION ITEMS  
IN TERMS OF 1957-59 DOLLAR

Relative to \$1.00  
in 1957-59  
\$3.00



Source: Consumer Price Index, Bureau of Labor Statistics

## PRICE RISES THAT HURT THE MOST

### SOURCE OF DATA

Consumer Price Index of the Bureau of Labor Statistics.

### TECHNICAL NOTE

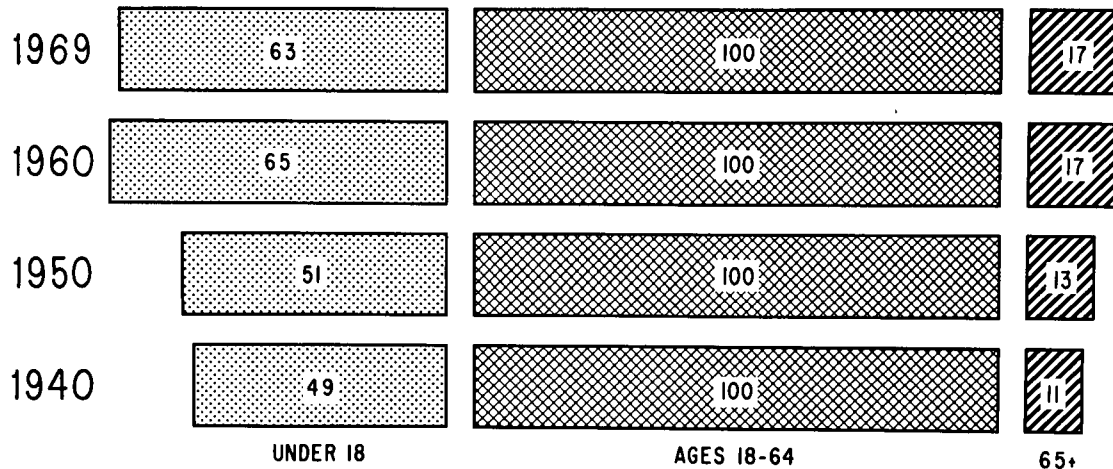
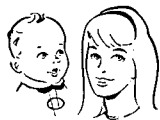
The average price in 1969 for all consumption items was \$1.28 in relation to \$1.00 in the year 1957-59. For some items, however, the price rise had been much steeper. Shown here are those items that had risen in price significantly more than the average. Also included is the rise in property taxes—\$1.29 in 1969 as compared to \$1.00 in 1957-59, just about the same as the all-items increase; this national average conceals the fact that property taxes in many localities are now double or triple what they were 10 years ago. Not included—although a large portion of all expenditures made by older people is for food; the price of food purchased for home consumption had actually risen somewhat less than the CPI (\$1.22 in comparison to \$1.28).

### FINDINGS

Price rises have been especially steep in many of the items that are particularly important to older consumers: medical care charges, costs of owning a mortgage-free home, and local transit fares.

# MOST OF THE INCREASE IN THE DEPENDENCY RATIO HAS BEEN AT THE YOUNGER AGES

NUMBER IN NON-PRODUCTIVE AGES (UNDER 18 AND 65+)  
PER 100 IN PRODUCTIVE AGES 18-64\*



\* Does not reflect the increase in the dependency ratio that results from education beyond age 18 or retirement before age 65.

## MOST OF THE INCREASE IN THE DEPENDENCY RATIO HAS BEEN AT THE YOUNGER AGES

### SOURCE OF DATA

Bureau of the Census population data as analyzed by the Administration on Aging, Department of Health, Education and Welfare.

### TECHNICAL NOTE

For this purpose, the dependency ratio is the number in the "non-productive ages" (defined as under age 18 and age 65 and over) per 100 in the "productive" ages (defined as 18 through 64). As thus defined, the dependency ratio does not reflect the increase in the dependency ratio that results from education beyond age 18 or retirement before age 65.

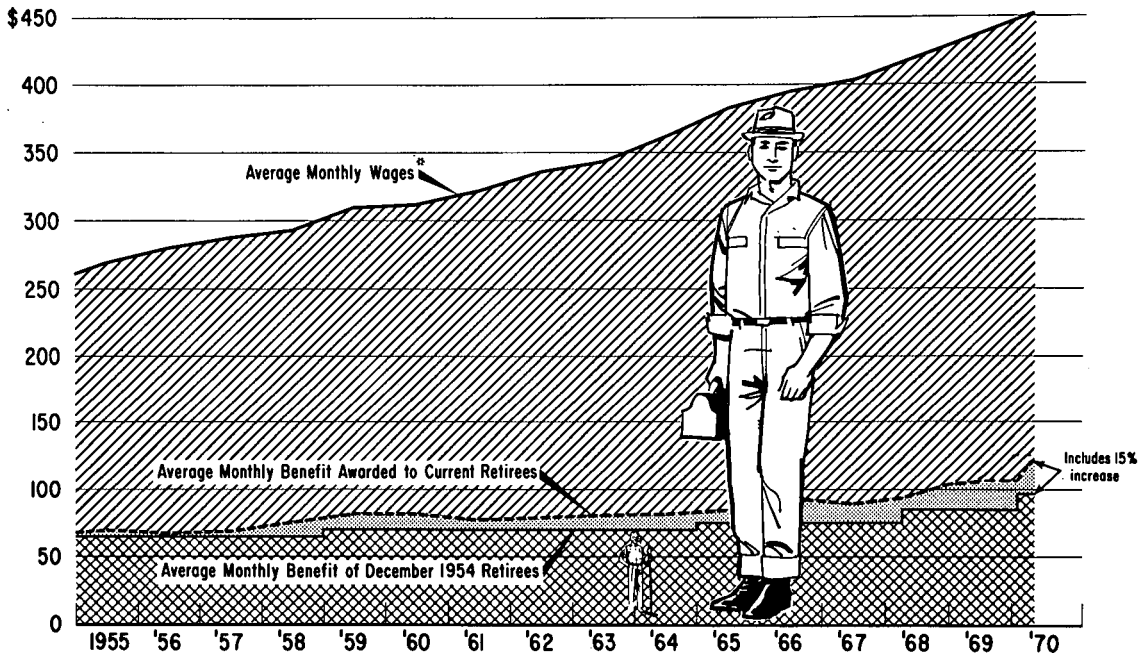
### THE FINDINGS

Between 1940 and 1960, the number of persons in the "non-productive" ages (under 18 and 65+) per 100 in the "productive" ages (18-64) rose from 60 to 82. By 1969, the ratio had dropped back to 80 (because the generation born in the "Baby boom" was reaching adulthood). Although the ratio of persons in the "non-productive" ages to those in the "productive" ages has grown in the last 30 years, there has been no relative increase in the "burden" carried by the 18-64 group because of the large increase in the productivity of the economy.

The under-18 portion of the "dependent" group is, on the average, about four times as large as the 65+ portion and accounts for most of the increase in the dependency ratio. Between 1940 and 1970, the number of older persons per 100 aged 18-64 increased by 6; the number under 18 increased by 14.



# WAGE GAINS SOAR ABOVE SOCIAL SECURITY RETIREMENT BENEFITS



\* Spendable earnings, worker with no dependents, in manufacturing industries (monthly computed as 4.3 times weekly)

Source: Social Security Administration and Bureau of Labor Statistics data

## WAGE GAINS SOAR ABOVE SOCIAL SECURITY RETIREMENT BENEFITS

### SOURCE OF DATA

Based on wage data from the Bureau of Labor Statistics and benefits data from the Social Security Administration.

### TECHNICAL NOTE

The bottom section of the chart shows the effect of Social Security amendments in increasing the benefits of a worker who retired at the end of 1954. The average monthly benefit paid to the worker who retired in December 1954 was \$68.60. Effective in January 1959, his benefit was increased to \$71.00; in January 1965, to \$76.00; and early in 1968, to \$85.90. With the 15% increase provided by the 1969 amendments, the December 1954 retiree would begin to receive a benefit just under \$100 in 1970.

The slightly higher line shows the average monthly benefit awarded to retired workers who retired during the current year. (The decrease in the average award between 1960 and 1961 reflects the reduced benefits claimed by men under age 65; reduced benefits for women workers—available several years earlier—had held down the rising trend but had not resulted in a decrease in the average for retired workers of both sexes.) This average benefit (which of course starts at the same plotting point as that for the average worker who retired in December 1954) had risen nearly \$110 by the end of 1969; the 15 percent increase would bring it to an estimated \$125.

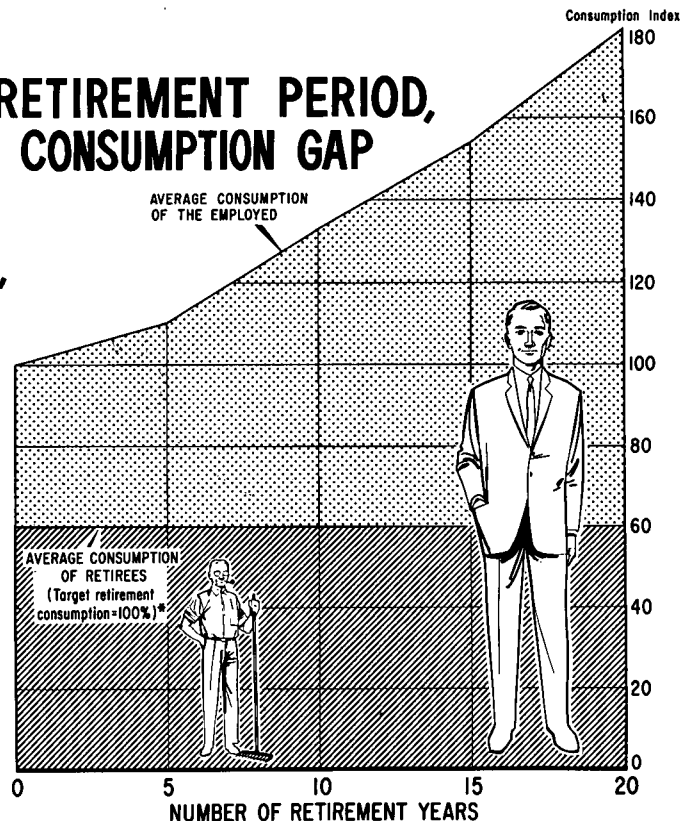
The top line shows the rise in average spendable earnings (average gross earnings less social security and income taxes) in current dollars for a worker in manufacturing industries who has no dependents. (For comparability with the average monthly social security benefit, average monthly wages have been computed as 4.3 times the average weekly spendable earnings.) Wages so defined have risen from just over \$250 a month to nearly \$450.

### THE FINDINGS

The average worker who retired in December 1954 received a social security benefit that was about one fourth of the wages of the workers then employed in manufacturing industries. Even after the 1969 amendments, his benefit will be a somewhat smaller fraction of current wages. Workers currently retiring are receiving average benefits slightly higher than one-fourth of these wages. But the *dollar gap* which started at less than \$200 has now widened to about \$350 in the first example and to \$325 in the second.

# THE LONGER THE RETIREMENT PERIOD, THE WIDER THE CONSUMPTION GAP

RELATIVE CONSUMPTION,  
EMPLOYED & RETIRED  
OVER 20 YEAR  
RETIREMENT PERIOD,  
OUTPUT PER WORKER  
GROWING AT 2%  
ANNUALLY



\*Assumes retiree had saved over the worklife of an annual rate aimed at providing retirement consumption equal to 100% of consumption of that year

THE LONGER THE RETIREMENT PERIOD, THE WIDER THE CONSUMPTION GAP  
SOURCE OF DATA

"The Impact of Economic Growth on Retirement Incomes," by Juanita M. Kreps and John O. Blackburn. Duke University. Statement presented at 1967 Survey hearings of the U.S. Senate Special Committee on Aging, p. 60.

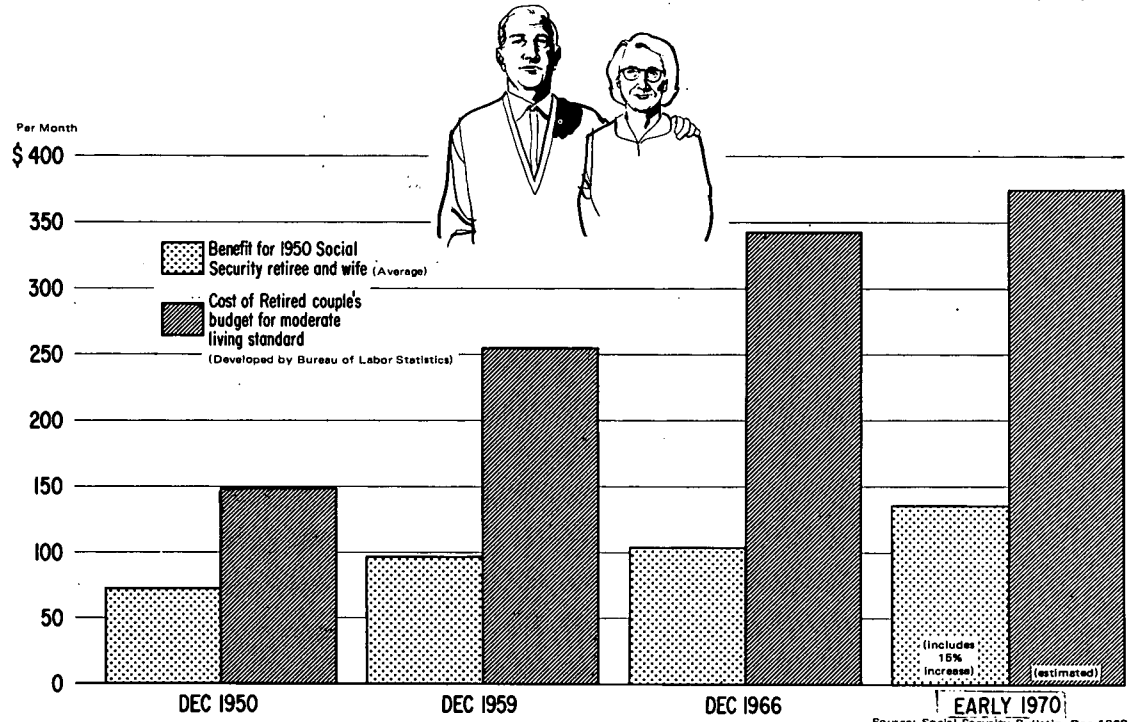
TECHNICAL NOTE

The Kreps-Blackburn model assumes that an income earner saves systematically for his own retirement by setting aside from each year's income that fraction necessary to provide at retirement a level of consumption equal to the level of that year. But since the retiree's savings were accumulated during an earlier period when earnings were lower, he will begin his retirement consumption at only a fraction of the worker's level—at 60 percent if his target consumption has been 100 percent of consumption during his worklife and if output per worker has been growing at 2 percent annually. The model further assumes that at retirement he takes his savings (plus interest) and buys an annuity providing a fixed annual payment. As the chart shows, the gap between his retirement consumption and the consumption level of persons still in the labor force will widen over the retirement period. With output per worker growing at 2 percent annually, the retiree's consumption that was 60 percent of the worker's consumption when he entered retirement will drop to 45 percent after 10 years and to one-third after 20 years of retirement.

THE FINDINGS

In a period of economic growth, an annual rate of saving aimed at providing retirement consumption equal to 100 percent of current consumption during worklife will, in fact, provide only a fraction of worklife consumption, and this proportion only at the beginning of the retirement period. During the course of retirement years, the retiree's level of consumption will lag further and further behind the level enjoyed by persons still at work.

# A RISING GAP - SOCIAL SECURITY BENEFIT AND MODERATE STANDARD OF LIVING FOR RETIRED COUPLES



Source: Social Security Bulletin, Dec 1968

## A RISING GAP—SOCIAL SECURITY BENEFIT AND MODERATE STANDARD OF LIVING FOR RETIRED COUPLES

### SOURCE OF DATA

"OASDHI Benefits, Prices, and Wages: Effect of 1967 Benefit Increases," by Daniel N. Price, Social Security Bulletin, December 1968, page 32.

### TECHNICAL NOTE

The Retired Couple's Budget for a Moderate Living Standard, developed by the Bureau of Labor Statistics, is intended to represent a measure of what retired couples themselves consider an appropriate level of living. It provides for the maintenance of health and social well-being, and participation in community activities. The retired couple is defined as a husband age 65 or older and his wife, self-supporting, living independently in an urban area, and enjoying fairly good health.

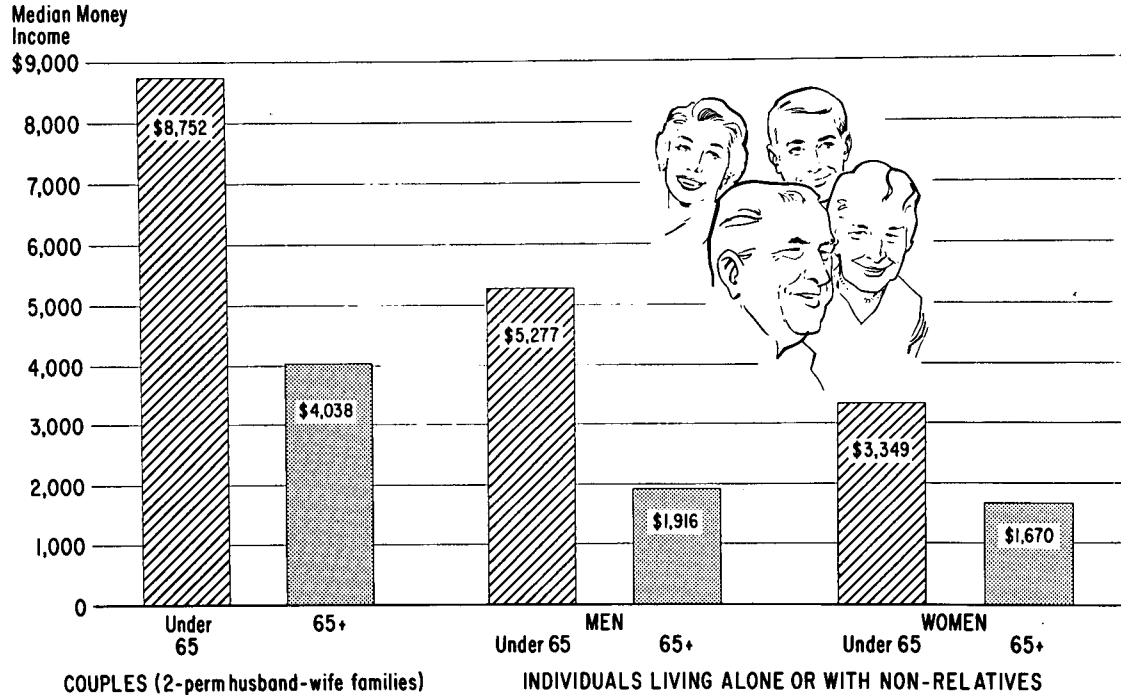
The cost of this monthly budget for couples living in rented dwelling in 18 cities was: \$149 in December 1950; \$255 in December 1959; and \$344 in December 1966; (the 1966 budget study was the first in the series to include data for homeowners and comparison with earlier studies is therefore limited to renters.). Of the increase in costs between 1950 and 1966, about half has been attributed by the BLS to higher standards of living and half to advances in prices for the goods and services in the budget. BLS subsequently revised the budget downward and repriced it in the Spring of 1969. Adjustment of the cost of this budget (unpublished) by the increase in the Consumer Price Index would bring the cost to \$375 in early 1970.

The worker who retired late in 1950 received a social security benefit that averaged \$49.50; addition of 50 percent for a wife would raise this average to about \$75, or half the cost of the elderly couple's budget at that time. Legislative increases would have raised this benefit to \$98 by December 1959 and \$104 by December 1966. The increase resulting from the 1969 Social Security Amendments brought the benefit to \$136, slightly more than one-third of the cost of the budget for a moderate standard of living. (Had the average benefit for a couple been used—rather than 150 percent of the average payable to all retired workers—the dollar figures would have been slightly higher for each year. But the widening gap between the benefit and the budget cost would have been the same.)

### THE FINDINGS

The average social security benefit payable to an elderly couple who retired in December 1950—even though it had been adjusted over the years—would now purchase a significantly smaller fraction of the Retired Couple's Budget for a Moderate Standard of Living than at the time of retirement.

# THE INCOME GAP BETWEEN OLDER AND YOUNGER PEOPLE IN 1968



Source: Administration on Aging, DHEW

## THE INCOME GAP BETWEEN OLDER AND YOUNGER PEOPLE IN 1968

### SOURCE OF DATA

Bureau of the Census income data as analyzed by the Administration on Aging, Dept. of Health, Education and Welfare.

### TECHNICAL NOTE

Most comparisons of the incomes of older and younger people classify families by age of head and without regard to number of persons or composition of the family. Thus, the income of an aged retired couple might include the earnings of an adult child living at home; an aged parent residing with the family of his son or daughter might be classified—because of respect for age—as, “head” of the family for which total income is reported. In contrast, this analysis is limited to couples (2-person husband-wife families with head aged under or over 65, and to individuals living alone or with non-relatives. This method of classification includes the vast majority of all aged persons (a total of 14,207,000 of whom 8,914,000 persons live as couples; 1,322,000 are men and 3,971,000 are women living alone or with non-relatives). The proportion of the under-65 population included here is much smaller, excluding as it does all children as well as parents with children living at home.

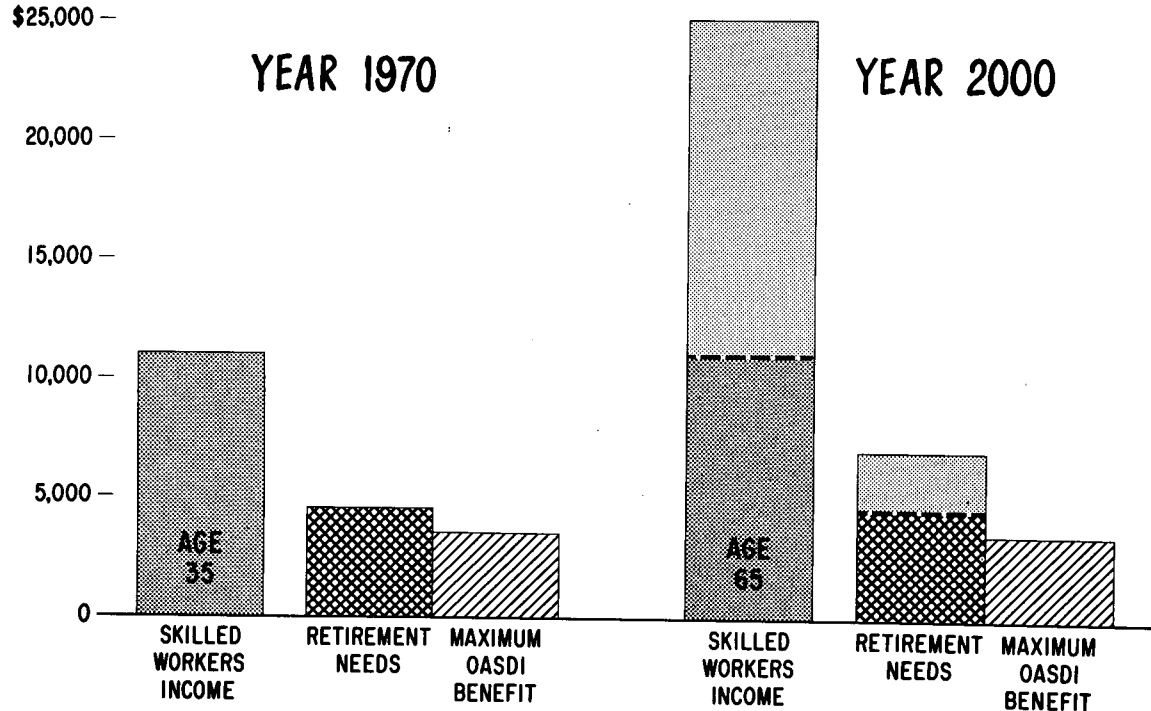
For purposes of comparing the incomes of these age groups, the median (the amount which divides the distribution in half) is more appropriate than the mean or arithmetical average (which is heavily weighted upward by a few case of very high incomes).

### THE FINDINGS

Aged couples had a median money income in 1968 that was well under half (46 percent) of the income of couples in which the husband was under age 65. For men living alone or with non-relatives, the income disparity was even greater: the median income of those 65 and older was only 36 percent of the median of men under 65. Women 65 and older who live alone (or with non-relatives) had incomes just half those of women under 65.



# *THE GROWING RETIREMENT NEEDS OF TODAY'S YOUNGER WORKER*



The CHAIRMAN. I just have one question, if we could deal with it; just answer this briefly: the rising gap in social security benefit and moderate standard of living for retired couples. Now, what are you using there as the moderate standard of living for retired couples?

Mr. NASH. This is the moderate standard of living based on the Bureau of Labor statistics.

The CHAIRMAN. What is that?

Mr. NASH. \$4,500 per year.

The CHAIRMAN. Very good.

Mr. NASH. You can see, as it states, the rising gap is almost in geometric proportions.

How has society responded to the economic problems of old age? My answer would be that, as in so many other areas of national concern, we have marched to yesterday's drumbeat in today's changing world.

We passed Medicare legislation to give older people better access to medical service, but we dealt unsuccessfully, at least to date, with the inadequate supply and excessive cost of these services. The result is skyrocketing medical costs and inadequate services.

#### SIGNIFICANT PROGRESS LACKING IN SOCIAL SECURITY

Not only has significant progress been lacking in Social Security but we have made insufficient progress in the private sector to improve pension systems. Bills in Congress to improve pension systems need action immediately.

Our attempts to deal with the problems of unemployment have resulted in discrimination against older job-seekers, have forced into retirement many who want to continue to work, and have seduced others from the work force with special early retirement benefits whose value falls rapidly with inflation.

A substantial segment of our society is composed of retired people who have no status in a work-oriented world and who were forced to reduce drastically their standards of living upon retirement.

We voice concern about inflation but are reluctant to take the necessary steps to protect retired persons, the single most affected group, from it. For example, Congress has failed to enact legislation to provide for systematic review and increases in social security benefits, to continue to relate benefit levels to cost-of-living rises, usually delaying ad hoc pension-level adjustments for years after inflation has occurred.

Mr. Chairman, our organization has a long list of priority recommendations which we urge the Nation to consider as a means of dealing with the economic and health problems of the elderly. I ask permission to include at this point in the record a list of these recommendations.

This list of recommendations includes 45 major items. I might say, Senator, these are the product of the legislative council of the two associations; and we call it our gold ribbon committee. I believe that you had the opportunity to meet with this committee in January and hear the results of their deliberations and studies. We ask that this summary of their proceedings be in the record.

The CHAIRMAN. Yes, we will certainly put that in the record.

(The document referred to follows:)

LEGISLATIVE PROGRAM ADOPTED FOR THIS YEAR BY THE NRTA—AARP  
LEGISLATIVE COUNCIL

IMPROVED SOCIAL SECURITY, MEDICARE BENEFITS

1. We support legislation to increase the minimum Social Security benefit to at least \$120 a month and provide corresponding increases at all Social Security benefit levels.
2. We recommend that the Social Security earnings limitation be amended to permit annual earned income of \$3,000 a year without reduction in Social Security benefits.
3. We urge that the widow's Social Security benefit be increased to 100 per cent of the worker's benefit.
4. We favor legislation to establish minimum Social Security benefits for all persons age 70 or older who are not otherwise eligible for cash benefits under the Social Security program, and to permit benefits up to \$150 per month from other public and private pensions without loss in their Social Security benefits.
5. We urge the Congress to assure that all persons will be eligible for Medicare upon attaining age 65.
6. We urge the Congress to include prescription drug costs in Medicare.
7. We support the bipartisan study of the whole Social Security system in relation to today's economy.
8. We urge that Social Security benefits for men be computed on the same basis as that now used to determine benefits for women.
9. We encourage deferment of retirement beyond age 65 and we urge Congress to provide increased benefits to persons who continue to work past age 65.
10. We urge that the Federal Government investigate the causes of increasing hospital charges and physicians' fees in an effort to halt the rising costs of Medicare and out-of-pocket Medicare payments.
11. We suggest the inclusion of chiropractic services under Part B of Medicare.

ADEQUATE RETIREMENT INCOME

12. We urge the states to increase pension benefits of all retired teachers to at least \$2,400 a year minimum based on 25 years of service, with proportional benefits for all service of shorter duration.
13. We urge adoption of a national policy of (a) the transferability of public and private retirement credits, (b) five-year or earlier vesting of retirement benefits, and (c) adequate funding.
14. We urge the Congress to provide partial Federal funding to encourage the states to accept the transfer of out-of-state teaching credit.
15. We urge the Congress to provide adequate pension increases for railroad retirees and Civil Service retirees.
16. We urge the Congress to continue to protect veterans, their dependents, and all other older Americans in their benefits when increases are voted in Social Security or public pensions.
17. We urge that all public and private pension programs be revised to provide annual automatic benefit increases tied to a rise in the cost of living.
18. We urge more effective enforcement of the Age Discrimination Act passed by the 90th Congress, and expansion of its provisions to assure those over age 65 who want to work, the opportunity to do so.

EQUITABLE TAX TREATMENT

19. We urge that the entire economic community of the nation contribute to the financial improvement of needy older Americans.
20. We urge the Congress to permit persons age 65 and over to deduct all unreimbursed expenses for drugs and other medical expenditures from their Federal income taxes.
21. We believe that single persons over age 65 with incomes up to \$3,500 a year, and married couples over age 65 with incomes up to \$6,000 a year, should be exempt from paying a Federal personal income tax.
22. We urge that Congress adjust the retirement income credit base to correspond with the current Social Security maximum payment.

23. We urge the states to provide a homestead exemption for persons over 65 in order to lessen the burden of steadily rising property taxes and enable retirees to maintain their own homes.

24. We urge that under the Federal Estate Tax, the present 50 per cent limitation be replaced by an unlimited marital deduction which would make transfers of all property between spouses tax free.

#### HEALTH AND ENVIRONMENT

25. We support the principle of preventive care to promote the physical and mental health of older persons.

26. We urge the immediate development by the Department of Health, Education and Welfare of a national program which will guarantee all older persons the right to quality medical and health care at a reasonable cost.

27. We urge that the Administration effectively implement its commitment to alleviate the problem of inadequate nutrition which exists to varying degrees, in all strata of our society, but particularly among the elderly.

28. We urge a coordinated national attack on the critical problems of water, air, and noise pollution and the wasteful destruction of our natural surroundings.

29. We urge that all Federal functions having to do with the environment be combined into a single department.

30. We urge effective implementation and strict enforcement of criminal laws, and enactment of new ones where necessary, in order to reverse the rising tide of criminal activity, including that which particularly affects the person and property of older Americans.

31. We urge that all Federal, state and local agencies give special attention to the needs of older persons with respect to the cost, availability, suitability, and proximity of public transportation.

32. We urge that the announced national housing goal include appropriate emphasis on the provision of adequate, reasonably priced housing for all older Americans.

33. We urge that administrators of the Model Cities Program continue their efforts to identify and meet the needs of the older citizens living within or affected by Model Cities projects.

#### ADMINISTRATION ON AGING

34. We urge that a thorough study of the policies, procedures, programs and resources of the Administration on Aging be conducted to determine its effectiveness in carrying out the intent of Congress as defined in the Older Americans Act, as amended.

35. We respectfully request the President to direct the Commissioner on Aging to include representatives of the major national organizations of older persons and qualified individual older persons in the initial and all subsequent planning and policymaking for the 1971 White House Conference on Aging.

36. We urge the Congress to appropriate sufficient funds to carry out the purposes and programs of the Older Americans Act, including those set forth in the 1969 Amendments.

37. We urge the immediate development of a national philosophy on aging and the older American.

#### CONSUMER PROTECTION

38. We support legislation to expose and restrict all categories of misrepresentation and fraud to consumers.

39. We oppose the adoption, by any state, of the Uniform Consumer Credit Code in its present form.

40. We urge immediate state and Federal action to identify and expose those consumer frauds and deceptions whose primary victims are older Americans.

41. We urge the Congress to establish an Office of Consumer Affairs at the Federal level with a director having the status equivalent to that of a cabinet officer.

#### NATIONAL POLICY

42. We urge the President and the Congress to intensify their efforts to stabilize the purchasing power of the dollar.

43. We urge adoption by the states of a model Uniform Probate Code to simplify and expedite estate administration.

44. We urge that the method of choosing the President of the United States be reformed.

45. We support the right of persons lawfully assembled in schools and other public places to participate in nondenominational prayers, and we also support continuance of their right to pledge allegiance to the flag of the United States.

The CHAIRMAN. As a matter of fact you say there are 45?

Mr. NASH. Yes, sir.

The CHAIRMAN. Oh, yes.

Mr. NASH. This list of recommendations includes 45 major items. The length of the list alone should give some indication of the magnitude of the task. Time prohibits exploration of all these issues today. Therefore, I would like to focus on one major question which I think is most relevant to understanding the stake which both the younger and older employee has in the social security system. This is a family security program if the true benefits were described.

#### LEVEL OF BENEFITS—PRESENT AND FUTURE

This one question that I would like to focus on is: What should the level of social security benefits be, both looking to the present retiree and to the future?

Sustained economic prosperity of the past and in the future also allows us to reassess various objectives of our society. We are challenged to use our resources to wipe out poverty and inequality of opportunity; to improve the ecology; and promote peace through international cooperation. But there is another challenge to improve our society which must be reexamined in light of our prosperity, changing attitudes, and technological advances.

We must make provisions for a meaningful life in old age. Of what use are the almost miraculous medical achievements or the technological advancements which are giving us shorter working years to prolong life if there are limited opportunities for enjoyment of those extra years?

Fundamental to creating a meaningful life in old age is insuring sufficient economic resources to support it. While possession of monetary resources doesn't guarantee happiness, the absence of such resources can keep people at any age level from dignity, happiness, and usefulness.

In assessing the current social security system in light of future needs, one characteristic stands out: It does not adjust quickly enough to the fast-moving economy of today. The record is clear:

First, the committee's original task force report graphically illustrated rising prices have usually outdistanced social security benefit increases—making older persons feel more acutely the increased costs of inflationary periods.

Second, despite the fact that the average living standard of those still in the work force has risen year after year, social security benefits, in real terms, have improved very little.

Our associations, along with the Senate Special Committee on Aging, should be and are equally as concerned with the retirement future of today's worker as we are with the retired American of today. The retirement security of those presently in the working force

will be more directly affected by social security reforms than those presently retired. These reforms must update and strengthen a system which served us in its early years but has fallen behind the needs of today's fast-changing economic society.

Our chart designated Roman numeral "I" shows the retired worker whose savings were accumulated during a period of lower earnings. It demonstrates that those savings would today provide only a fraction of the consumption level which he enjoyed during his working years. Despite growing incomes, many workers continue to find it difficult to put aside significant amounts in anticipation of retirement—in other words, savings among their operational demands day by day, living costs.

Clearly, savings accumulated during the work years can help in providing for retirement years, but such savings will probably fall far short of providing what is necessary to maintain an adequate standard of living in retirement. And "adequate," sir, is what we are emphasizing.

#### "DO-IT-YOURSELF" BASIS NOT POSSIBLE

Simply stated, this means that most people cannot accomplish retirement security on a do-it-yourself basis. This is a popular misconception, I believe. Looking at this chart, you can see that if you saved an amount to maintain your standard of living after retirement that you had in each given year of your life, your standard of living normally would be rising, you would be saving more but, because of the rising costs of living, by the time you reach the retirement period, the amount you had saved would not be equal to maintaining the standard of living which you had enjoyed prior to your retirement. So the do-it-yourself basis is not possible and we do need to have an adequate social security system to assist us.

Probably of most importance to young and middle-aged workers is the fact that social security not only provides for income assurance in old age but it also provides two additional benefits of critical importance. First, in the case of death, survivors' benefits are payable to the worker's dependent children and widow and provide an added amount of security to supplement any existing life insurance or death benefit policies. Second, it also provides protection for the worker and his family against loss of income through permanent and total disability.

For a young man in the working force who is in the process of trying to establish his career, buy a home, raise a family, et cetera, the economic responsibilities and burdens he faces are probably greater than at any other time during his working years and usually when he has not yet reached his peak earning power; thus the value and importance of the social security program.

The developing problem is illustrated by a chart designated Roman numeral "II" which we have prepared showing average skilled workers' income, retirement income needs, and the current maximum social security benefits. It shows a projection for a worker today at 35 and his retirement needs at \$4,500 according to the Bureau of Labor Statistics and the maximum OASDI benefits.

You see the comparison for the person of today and project this to the anticipated year 2000, 30 years from now, when that worker

would be 65 years of age. You see that their income is projected to approximately \$25,000 on the average. Now, that may seem startling, for a skilled worker to have a \$25,000 income, but if we would look backward to the skilled worker 30 years ago today, I can recall, in my own rather presumably youthful lifetime, working as a welder after having gone through a trade school in a shipyard, from 1939, 1940, at 55 cents an hour. Today that, of course, is unbelievable, perhaps 10 percent of what they are actually earning. So this projection is not out of line when one looks in perspective.

The retirement needs have been projected for this time in the year 2000, and taking the maximum OASDI benefits, just transferring from those which are assumed today to a standard of living at that time, you can see the gap that we have.

So we see the contrasts with the three income levels as depicted on the left side of the chart.

The CHAIRMAN. The retirement needs, you have a block upon block, two different colors. I don't get it.

Mr. BRICKFIELD. He will come to it in his testimony. This is as of today, and by the year 2000 it will go up to \$7,200. These figures are the same today at \$4,500, but between the year 1970 and the year 2000, they will rise to \$7,200.

Mr. HUGHES. We might point out that this figure is based on a very conservative estimate.

Mr. ORIOL. I am not clear on how retirement needs are arrived at and why they are so much lower than income.

Mr. HUGHES. This is based on figures from the Bureau of Labor Statistics. This is the average moderate budget.

Mr. ORIOL. You are just projecting what the moderate budget will be in the year 2000?

Mr. HUGHES. Yes. Mr. Nash related it as it is today just to show how much needs to be done in the area of increasing social security benefits to even come close to meeting the average needs.

Mr. BRICKFIELD. These two charts are comparable. The skilled worker here at age 35 is at \$11,000. This is the green line. Now, if you go over to the year 2000, the same skilled worker comes up to \$25,000, and that is this \$25,000 right here, Senator.

So these two charts relate to each other, and you can see how the rising costs and economic growth relate to retirement. That is the purpose.

Mr. NASH. In 1970, the income in the United States for a 35-year-old skilled worker will average \$11,000. In this same year, the income need of an elderly couple with a moderate living standard is about \$4,500. In contrast, one finds that the maximum social security retirement benefit which a worker and spouse can receive under the current OASDI law is a little over \$3,500.

These three income levels are depicted on the left side of the chart.

Now we will compare average income and retirement needs in 1970 with a projected need in the year 2000. With a growing economy, we can expect incomes to be significantly higher due to real and monetary increases in earnings and other income sources. This next chart, Roman numeral III, shows the rising incomes of various categories of workers over a lifetime. Given past trends, average income for the skilled worker 30 years later—at 65 but still working—will probably be about \$25,000.

What will happen to retirement needs over this 30-year period? Will the \$4,500 needs estimate for an older couple in 1970 be satisfactory for him when he retires? Obviously not.

First, price levels will undoubtedly be higher and, therefore, the dollar amount needed in retirement must be adjusted upward. More importantly, however, it is completely unrealistically to assume that persons living in retirement in the year 2000 will want the same living standard as the elderly living in 1970. One must remember that general living standards for almost all Americans will have improved significantly over this period.

The right side of chart II shows comparable estimates for the year 2000.

If the needs of the elderly in that year have the same relationship to projected median U.S. family income as they did in 1970, an elderly couple would need about \$7,200, as shown on the chart—\$7,200 is a very conservative estimate of need, since it represents less than one-third of the worker's projected preretirement income. Obviously he would be living at a higher standard of living than this but, based on trends, we have to use this figure.

#### DYNAMIC SOCIAL SECURITY SYSTEM NEEDED

The need to develop a dynamic social security system which keeps pace with changes in the economy is apparent. Of course, Congress in the past has periodically adjusted social security benefits, but the increases have just about kept pace with increases in the general price level. As a matter of fact, it has been dictated this way, because the increases are usually demanded as a result of the increases rather than for the person to enjoy a continued standard of living. Very little increase in the real level of benefits—and hence the standard of living—has occurred as a result of social security benefit increases.

How can the present system be corrected? We believe that this question deserves careful and comprehensive study both by the Congress and the interested public. Recognizing that there are other alternatives, we would like to propose today that serious consideration be given to making a major modification in the way social security benefits are calculated.

Mr. Chairman, the most popular method used today to evaluate the economic status of the aged is to look at the aged population at a given moment in time and compare their actual incomes to some standardized level of adequacy, such as the Social Security Administration's poverty index or the Bureau of Labor Statistics' "Budget for an Elderly Couple." Prof. Derek Bok of the Harvard Law School has summarized some of the major limitations of absolute adequacy standards, and I would like to quote briefly from his statement of the problems. He says:

Experience in other countries has revealed how difficult it is to determine the expenditures that are appropriate for any group of people . . . Furthermore, the standard budget is probably too static a conception for the task at hand. While it may be possible to define the minimum living expenses which should be guaranteed here and now to the poorest of the aged, it is much more difficult to determine what standard of living will be considered adequate many years hence when present generations of workers begin to retire. Yet under our contributory system (of social security) this question is important.



In view of these problems any effort to establish an adequate social security policy should aim at defining the proposition of prior wages which each worker can count on receiving when he retires.

What this is saying, Senator, is that rather than looking at all of the elderly as a group and considering some kind of standard of living which we anticipate that each would accept as his acceptable standard, we believe that a person's standard of living is set by his prior earning power, his prior life style, and that this is the criteria which should determine the social security that an individual receives in retirement.

We agree, in other words, with this statement by Professor Bok. As Professor Wedderburn from the United Kingdom and Professor Schulz stated during earlier hearings by this committee, there is a need in this country to recognize that the adequacy of social security benefits above a certain minimum must be judged by the extent to which these benefits replace earnings which stop at the time of retirement.

#### BASIC FLOOR AT 50 PERCENT OF PRERETIREMENT EARNING

Mr. Chairman, we must establish a realistic retirement income floor as a part of the social security system, a floor related to earnings and growing as the economy and general standard of living grows.

We therefore propose that as part of the social security program a basic floor of retirement income protection be established for each eligible worker at 50 percent of average family preretirement earnings during the later years of life.

Now, "family preretirement" is an important term. Where two people are contributing to it, they are also contributing to the standard of living in that household, and this should also be taken into consideration for their retirement.

In addition, we propose that this benefit level be supplemented by a spouse benefit based upon a realistic determination of the additional living costs incurred by a two-person family.

We have chosen 50 percent because it has been commonly quoted as a desirable basic or minimum rate of earnings replacement. In 1967, for example, the Committee on Ways and Means cited this figure as a "reasonable relationship between former wages and benefits." We feel that it is a realistic minimum of retirement income for all Americans—upon which private pensions and personal savings of individuals could build in accordance with personal preferences.

Of course, any benefit which is 50 percent of very low earnings is not going to be adequate by poverty standards. Therefore, we propose that the social security minimum benefit should be at least \$120 per month for persons with substantial work histories.

Now, again, that is important, Senator, because we feel that the work history of the person at the lower end of the scale, it is difficult to determine whether or not they are recent retirees who have come out of some other retirement system and then come into the social security system to earn that as additional retirement as opposed to those who have had a lifetime or substantial work history at lower

incomes and have not been able to build up. These people certainly would have the greatest need.

This figure corresponds to the minimum benefit proposed under the Williams-Gilbert bill and is \$59 more than the minimum benefit originally proposed by the administration.

And we again recommend, as we have in the past, that all social security benefits should be automatically increased—at a minimum—to keep pace with the changing cost of living.

Finally, we believe that a ceiling should be maintained on the maximum amount of social security benefits which can be received. However, we also recommend that the average annual earnings to be counted for contribution and benefit purposes be set at a relatively high level and adjusted automatically thereafter. For example, we note that the Williams-Gilbert omnibus proposal recommends a taxable wage base of \$9,000 for 1970-71. Under our plan this would mean a maximum benefit of \$4,500.

In simple terms, this then, is our proposal for social security reform:

A "50 percent of creditable earnings" benefit level with improved minimum and maximum benefit levels.

Mr. Chairman, if adopted, these reforms of the social security system will require that additional revenues be obtained to finance the improvement. We do not have the necessary data to make an estimate of the additional funds which would be required to institute these reforms. The Social Security Administration could provide such estimates. In fact, we hope that you will ask them for such estimates so that they could be a part of the record of these hearings.

On the matter of financing, however, we do have two observations: First, we believe that when younger workers are informed of their stake in a truly adequate public retirement system, they will be willing to support an equitable system of financing such reforms.

Second, as economist Leon Keyserling pointed out in testimony before this committee, economic growth in the United States will result in an additional average of \$200 billion of goods and services being produced each year over the next 10 years. We believe that among the competing uses for that economic growth, retirement income adequacy should receive high priority.

People are beginning to realize that the standard of living established during their working lives must be maintained for a satisfying and useful life after retirement.

The corrections necessary to the social security system for provision of needed retirement income can be delayed no longer. The time for action is now.

The CHAIRMAN. Do you have questions?

Mr. ORIOL. Yes.

Dr. Nash, on page 11 of your basic proposal for social security reform, you base that 50 percent of average family preretirement during the later years of life.

Mr. NASH. Yes.

Mr. ORIOL. Now, have you narrowed that down to what the later years of life are, and might not that be—what I am getting at, it would be very difficult to cost out this proposal, because we don't know—

Mr. NASH. I believe the various alternatives would have to be determined to determine what is financially feasible. The Social Security Administration would want to be consulted on this. You could take the best 3 years of the last 5 years from 60 to 65 or 5 years of the 10 years between 55 and 65 or any combination thereof that seemed to be feasible and would represent the life style which the person had become adjusted to during that period of time just prior to retirement. That is why we chose the later years.

Mr. ORIOL. I just wanted to be sure you were not thinking of from 45 to 65. You are thinking in terms of the highest income in the later years?

Mr. NASH. I refer to those years typically representing the life style. The thesis behind this is that there be an adequacy of income to maintain the standard of living which one had become adjusted to in that period of life.

Mr. ORIOL. Now, the 50 percent, as you explained, was designated by the Committee on Ways and Means, and that is why you have adopted it; in other words, a 50-percent cut in income is—well, that, of course, just covers the social security part of the retirement income.

Mr. NASH. Yes.

Mr. ORIOL. So you are not saying income should be cut in half?

Mr. NASH. No; we are saying this would provide the basis for pension plans and the other plans that the individual would develop, but this would be a sound floor for the adequate standard of living and below which no person in America should have to retire.

Mr. ORIOL. Do you have any questions?

Miss McCAMMAN. Yes, I do.

On the couple's benefit, is the amount for the wife a percentage of the 50 percent or is it a flat dollar amount?

Mr. NASH. We had not determined which direction we would recommend that this should go. Our concern here is that the individual in the lower income brackets where there is not a working spouse would certainly have need, however, as would the couple where a family plan would be instituted per our recommendation.

Miss McCAMMAN. I was just thinking that if it were a flat dollar amount—which it almost sounded like when you said "the amount needed for an additional member in the family"—then that diminishes somewhat the attempt to replace a given percentage of that person's former like style.

Mr. NASH. That is correct; we would prefer the percentage. We had not referred to it in our testimony. I thought that was your question.

Mr. BRICKFIELD. Also in the social security system, there has been a tendency to give more, in proportion to earned income, for the spouse where the social security benefit is lower than when the social security benefit is higher, so it may be that the committee in its consideration would want to take into consideration that kind of a theory; namely, whether you would give more for the spouse in the lower social security benefit levels than you would at the higher.

Miss McCAMMAN. It gives a flat percentage for the wife, 50 percent. But because the worker's benefit is a higher proportion of his past earnings when his part earnings have been low, it has that same effect.

Mr. BRICKFIELD. Yes.

Mr. NASH. Yes.

Mr. HUGHES. If I might comment, I think what we are trying to do is to get away from the flat 50-percent spouse benefit which bears no relationship to the actual cost of having a second person living in the household. We feel that the percentage should be based on a more realistic and accurate determination of what the actual cost is for that other person.

Mr. ORIOL. Is this 50 percent something you would expect to have happen within a given period, like 1972? I don't know if you have had a chance to read that the House Ways and Means Committee has granted an across-the-board 5-percent increase. If the Senate and the House goes along with that, we would be up to 20 percent over the 1969 levels. When do you envision the 50 percent approach going into effect?

Mr. NASH. We would hope that this would be possible to work in immediately. We believe that the percentage rise has had the effect of following the economy rather than providing for an adequate standard. We would hope that we could approach the 50 percent as rapidly as is economically feasible in our system.

#### MINIMUM MONTHLY BENEFITS

Mr. ORIOL. There is no mention in the press accounts of any rise in minimum benefits under the bill about to be reported by the House Ways and Means Committee. Do you consider this a serious deficiency?

Mr. NASH. We certainly do, yes. We believe this is completely unacceptable and that we would hope that that would be rectified either in the Senate or by virtue of any adjustments that would be made in the present bill that is being reported.

Mr. ORIOL. May I go on, sir?

The CHAIRMAN. Yes.

Mr. ORIOL. In your legislative program for 1970, you recommended measures to encourage deferment of retirement beyond age 65 and to provide increased benefits for persons who continue to work after 65. How would you go about that? Have you worked that out or is that a thrust, an overall purpose?

Mr. NASH. You are referring to No. 9 in the proposed legislative objectives.

Mr. HUGHES. This basically is a statement of philosophy. We got into the problem here, Mr. Oriol, of the retirement test once again, the earnings limitations. We felt that a statement of philosophy was needed to explain that we wanted to encourage those 65 and over who were able to and wanted to work, to continue to work without substantially losing their social security benefits for that 7-year period from age 65 to 72. We do this without going so far as to say that we want to abolish the retirement test completely.

#### GENERAL REVENUE FINANCING

Mr. ORIOL. To go back to social security—and I don't believe there was any reference in here to the use of general revenues to support the increases; we presume there would be increases in social secu-

riety expenditures—does this mean that you do not have a recommendation on the use of general revenues or that you do not want general revenues or that you may approve the use of general revenues for certain specified purposes?

Mr. BRICKFIELD. Well, first off, economists would tell you that if you used general revenues, it would be tax money anyway. It is a question of when the tax is paid. Is the tax paid as social security contributions from a person's wages at the time he earns it or is the tax paid when he pays his yearly income tax? Whether it is derived from social security levy or general revenues it still comes out of the economy and it is a tax on the people.

Some economists say that paying for the benefit from general revenues is a more equitable way of distributing the burden.

Mr. ORIOL. But in terms of personal impact, the social security tax is generally regarded as regressive, while the income tax tries not to be; so in terms of personal impact, the social security tax is more regressive, and I think that is the rationale here.

Mr. BRICKFIELD. We would also note for the record, Mr. Oriol, that Senator Prouty sponsored a bill which became law, in which there are certain minimum payments to individuals who are not eligible for social security but who receive payment of benefits out of general revenues, not social security taxation, which the Congress appropriates from year to year. So it is a procedure that has precedent and has been adopted, and it could be used.

Mr. ORIOL. Under Medicare, too, certain parts of Medicare come from general revenues.

Mr. BRICKFIELD. Yes.

Mr. NASH. One of the concerns is with the individual who continues to work. He may be privately employed or has the opportunity provided by his employer, who does not have some arbitrary retirement system, to continue to work. He continues to pay into the social security system, adding to that system but not benefiting from it when he does ultimately retire. He may feel that this is not a fair and equitable way to be treated for continuing to work, to pay taxes and to contribute to society. It is felt he has the right to receive a higher return if he chooses to work past age 65.

Mr. ORIOL. You ask that in your statement, Mr. Nash. What good does it do to raise any form of retirement income by a few dollars if rising costs wipe it out; and of course, health costs are the fastest rising. Do you have any recommendations either on Medicare, Medicaid, or health recommendations in general that you think would reduce economic drains upon the elderly?

Mr. BRICKFIELD. One area is in Medicare. The administration is raising the monthly cost to the people for part B. I think it is from \$4.00 to \$5.30. We think, for example, that this cost may not have been increased or at least not increased so greatly had the alleged abuses connected with Medicare either through hospital costs or medical costs been kept to reasonable limits. We think that many charges made by physicians and hospitals are excessive and lead to increased cost of Medicare to the individuals, especially out-of-hospital costs. Closer supervision and administration may have avoided this increase.

Mr. ORIOL. Would you like to see the fees scheduled?

## PART C GROUP PLAN

Mr. BRICKFIELD. It could help. Also, I believe that the administration is making a proposal known as part C of Medicare in which a person, on a prepaid basis would get health benefits from physicians on a group basis. Physicians would be paid salaries rather than fees and patients could have examinations in the form of preventive medicine. That would be very helpful.

Mr. ORIOL. This is that so-called part C of Medicare that Secretary Finch and Mr. Veneman have been talking about?

Mr. BRICKFIELD. That is right.

Mr. ORIOL. And your initial reaction to that is favorable?

Mr. BRICKFIELD. Yes.

Mr. NASH. We have, in the legislative program which was presented to you, items 5, 6, and 10, which I think may be relevant to the question that you posed. Mr. Oriol, urging that Congress assure all persons eligible for Medicare upon attaining age 65 that prescription drug costs be included and, of course, investigate the rising costs and determine whether or not some action is necessary for that.

Is that relevant to the question you ask?

Mr. ORIOL. Yes, indeed.

Have you been able yet to decide how far the prescription drug coverage under Medicare should go?

Mr. NASH. No. We have been studying this with our own AARP drug service, which provides assistance with lower-cost mail prescription medicines. We have some experience in evaluating the costs. From it we believe that some action is necessary in this area but we want to make studies based upon our experiences before we testify on that.

Mr. HUGHES. I thought that Dean Cohen's suggestion yesterday was very interesting in that the pilot study might be done in the area of those prescriptions medicines which are necessary to sustain life. The Medicare system would undertake to cover the cost of life sustaining drugs to determine if it would be feasible to expand the coverage to all prescription medicines.

Now, we have not discussed this, so I don't know if this would be the official position of our associations. I thought however that it was a very interesting suggestion and one that deserves some consideration.

Mr. ORIOL. I have no other questions except to note that these charts will be exceptionally useful to the committee.

Mr. NASH. Thank you.

The CHAIRMAN. I agree.

John Guy?

Mr. MILER. No questions.

The CHAIRMAN. Well, gentlemen, thank you very much.

The committee will recess until 10 o'clock tomorrow in this same room.

(Whereupon, at 1:01 p.m. the special committee recessed, to reconvene at 10 a.m. Wednesday, May 5, 1970.)

# ECONOMICS OF AGING: TOWARD A FULL SHARE IN ABUNDANCE

(Concluding Hearing)

WEDNESDAY, MAY 6, 1970

U.S. SENATE,  
SPECIAL COMMITTEE ON AGING,  
*Washington, D.C.*

The special committee met at 10 a.m., pursuant to recess, in room H-408, The Capitol, Senator Harrison A. Williams, Jr. (chairman) presiding.

Present: Senators Williams, Muskie, and Kennedy.

Staff members present: William E. Oriol, staff director; John Guy Miller, minority staff director; Dorothy McComman, consultant on the "Economics of Aging," and David Affeldt, Counsel.

Also present: James H. Schulz, Ph. D., associate professor of economics, University of New Hampshire; Agnes W. Brewster, consultant on medical economics; and Harold L. Sheppard, Ph. D., staff social scientist, W. E. Upjohn Institute for Employment Research.

The CHAIRMAN. The committee will be in order.

We will be underway with our final hearing of the full committee, the Special Committee on Aging. The subject is the economics of aging.

We come into our anchor session. We have the Commissioner of the Administration on Aging and Special Assistant to the President for the Aging, Mr. John B. Martin. We welcome you, Mr. Martin and look forward to this important final session of this study on the economics of aging.

**STATEMENT OF HON. JOHN B. MARTIN, COMMISSIONER, ADMINISTRATION ON AGING AND SPECIAL ASSISTANT TO THE PRESIDENT FOR THE AGING; ACCOMPANIED BY ALVIN DAVID, ASSISTANT COMMISSIONER, SOCIAL SECURITY ADMINISTRATION; GEORGE MCDOWELL, EXECUTIVE ASSISTANT TO THE COMMISSIONER, COMMUNITY SERVICES ADMINISTRATION, SRS; AND MICHAEL MAHONEY, CHIEF, PROGRAM EVALUATION, FAMILY ASSISTANCE PLANNING STAFF, OFFICE OF THE SECRETARY, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE**

Mr. MARTIN. Thank you, Senator Williams.

I have with me at the table Mr. Alvin David, Assistant Commissioner at the Social Security Administration; Mr. George McDowell, Executive Assistant to the Commissioner of the Community

Services Administration, SRS, in HEW, and Mr. Michael Mahoney, who is chief of program evaluation of the family assistance planning staff in the Office of the Secretary.

Mr. Chairman, I am appearing here on behalf of the Secretary and have a statement, a fairly long statement, which I would like to use in part as I go through and we will submit the entire statement for the record.

The CHAIRMAN. This is the statement of Secretary Finch?

Mr. MARTIN. Yes, this is Secretary Finch's statement which I am delivering on his behalf.

The CHAIRMAN. We were hoping that he would leave the troubled waters for a little bit of the concern for the young and come to these less demonstrative, but just as real, areas of concern for the aging. But we regret that that wasn't possible.

As an alternative, you are submitting his full statement.

Mr. MARTIN. That is correct, sir.

The CHAIRMAN. Without objection, it will be made a part of the record.

(The prepared statement of Secretary Finch follows:)

Mr. Chairman, and members of the Committee:

I regret my inability to be present and to deliver this, my statement, in person. However, I ask that as it is delivered by Commissioner on Aging John B. Martin, you consider it as my statement, approved by me in advance, and expressive of the positions of the Department of Health, Education, and Welfare and the Executive Branch of our Government.

You are to be congratulated on your hearings on all phases of the economics of aging and on the development of background papers related to these hearings.

In the Department of Health Education, and Welfare we are cognizant both of the strides which have been made toward assuring a favorable economic position for our older population and of the serious plight in which many of the elderly of our country presently find themselves. We recognize that inadequate income is a major contributing factor in every area of concern; housing, medical care, nutrition, transportation, and recreation.

#### INCOME PROGRAMS TODAY

As of January, 1969, under our social security system, about 18,000,000 of those 65 and over were receiving benefits or were eligible to receive them upon retirement. Average monthly benefits in June 1969 were \$100 for a retired worker and \$168 for a retired couple where the wife was drawing benefits on her husband's wage record.

Social security, combined with income from employment and from other sources, helped to provide a basic security for many of the Nation's elderly. Two facts remain, however: that the income of retired persons averages approximately half that of the younger population; and the effects of inflation are particularly drastic on the limited and generally fixed incomes of older persons.

Although the percentage of persons past 65 who are in the labor force has been steadily declining, approximately 17% of this age group are still working. Their earnings in general are relatively low due to the fact that over-65 workers normally engage in part-time and low-paid employment.

While as many as 64% of aged men currently in the labor force say they would like full-time employment, opportunities for such employment are rare. In addition, disincentives exist to such employment. These include the retirement or work income test, which reduces social security benefits, and the requirement that some or all income earned by Old Age Assistance recipients be taken into consideration in determining eligibility for and the amounts of their grants.

All States operate Old Age Assistance programs designed to assist the most needy of the Nation's elderly. It is noteworthy that actual members of recipients of such assistance have been declining (from almost 2.8 million or 22.5%



of the older population in 1950 to slightly over 2 million or 10.5% of the elderly in December 1969). The December 1969 average monthly payment to older persons under this program was \$74, with wide differences in amounts paid by the various States. Almost 3/5 of the Old Age Assistance recipients also receive social security benefits, but these benefits are so low that the recipients still qualify for Old Age Assistance payments in addition to Social Security.

These programs which provide some economic guarantees for older persons must be viewed against the disturbing fact that they have not prevented the incomes of 4.6 million or nearly one-fourth of our Nation's older citizens from falling below the poverty line. The poverty line, at non-farm levels, as of 1968 was at \$1,665 annually for single individuals living alone or with non-relatives and \$2,100 for couples.

In a time of generally rising national productivity, it is noteworthy that while the actual numbers of the aged poor have decreased since 1959, the proportion of the Nation's poor who are 65 and over has risen from 15% in 1959 to 18% at present. It is also significant that the position of older women, many of whom are widows, is particularly disadvantageous in that 65% of them are poor.

#### ACTIONS TO MEET THE NEEDS

Some measures are being undertaken to improve the economic status of older persons. President Nixon set the tone for this Administration's efforts to improve economic conditions among the Nation's elderly when he said during October, 1968, while seeking the Presidency:

"... we can help to improve the financial picture among older Americans. It is a picture which badly needs improving. It is simply unacceptable in America that a large segment of older Americans have incomes below the poverty line. It is unacceptable that the aged should be the one group in the country whose poverty is increasing today... we will give priority attention to the problems of poverty among the aging, and... we will do everything we can to generate solutions which are thoughtful, workable, and effective."

During his first year in office, the President formulated and submitted to Congress measures designed to do just that—to "generate solutions which are thoughtful, workable, and effective." The principal proposals of the President in this area are his welfare reform proposals embodied in the Family Assistance Act, his social security proposals, his manpower training proposals, and his food stamp proposals.

#### WELFARE REFORM PROPOSALS

Enactment of the welfare reform proposals would go far toward abolishing poverty among the aged in the United States. The Family Assistance Act was originally introduced in the Senate and House as S. 2986 and H.R. 14173 respectively. On March 11, a revised version of this proposal, H.R. 16311, was reported out by the House Ways and Means Committee and passed by the House with bi-partisan support on April 16. As you know, the Senate Finance Committee is now studying the proposal.

The aspect of the proposal which has received most public attention is its basic Federal Family Assistance Plan, under which each family with children would be eligible for a family assistance payment if its income falls below certain levels. While a few older poor persons would be members of such families, and thus qualify for this program's benefits, the majority would benefit from other, less publicized, aspects of the Administration's proposal.

The proposal, as passed by the House, would provide that the minimum public assistance benefit for all adult categories, when combined with other income, would produce a total income of at least \$110 per month. This would assure an income of \$1,320 per annum for every person over 65 in the United States whose assets are such as to meet the applicable means test, and \$2,640 for elderly couples where both husband and wife qualify. While the amount for a single individual falls somewhat short of the official Federal estimates of the annual incomes needed to bring single older persons out of poverty, other provisions of the Administration's proposal relative to food stamps and allowable personal and real property would help bring recipients substantially closer to a minimum standard of decent living.

Proposed disregard of earnings would further benefit older persons who are working. H.R. 16311 permits a more generous earnings disregard than present law. If the recipient's State were to take advantage of it, his \$80 per month

earnings would reduce his \$110 per month benefit by only \$10, giving him a total monthly income of \$180 or \$2,160 per annum.

#### FOOD STAMPS

Another means of augmenting the income of the elderly poor is through the food stamp program. This will be enhanced if the Administration's food stamp proposals are enacted. As the Committee knows, those who participate pay what they would normally budget for food and receive in exchange allotments of food stamps worth more toward the purchase of food than the cash they paid. Food stamps are used at regular retail food stores to obtain more foods than could be bought for the money used to purchase the stamps. The cost of the stamps is on a sliding scale relative to individual income.

As a result of cooperative efforts between the Legislative and Executive Branches, an increase of \$610,000,000 in funding for the food stamp program was enacted last year. This has made it possible to expand the program into areas which formerly lacked a family food assistance program.

We are presently studying the feasibility of the extension of the use of food stamps to centers which would provide group eating opportunities for the elderly.

Such a program would also result in better nutrition of older people, which is subject to serious deficiencies as shown by recent studies. This becomes particularly true for older persons eating alone.

#### ADMINISTRATION'S SOCIAL SECURITY PROPOSALS

Enactment by Congress of the Administration's Social Security proposals would help many older persons out of poverty. The future automatic adjustment of benefits, earnings base, and retirement test would help to keep the system's benefits abreast of the higher wages and the higher standard of living which the Nation faces. Widows, who are among the most vulnerable to poverty in old age, would be helped by the Administration's proposal to increase their benefits at age 65 from 87½% to 100% of the amount their husbands would have received at that age. The proposal to lessen work disincentives in the retirement test would make it easier for beneficiaries to supplement their benefits by working.

I look forward to receiving next January the report of the Advisory Council on Social Security which will be submitted to Congress. This body has been reviewing all aspects of the social security system and has a primary responsibility to develop appropriate legislative proposals to improve that system.

#### MANPOWER TRAINING

The Administration's proposed "Manpower Training Act" would also help bring older persons out of poverty, especially those who are able to work and want to work, at least part time. Extensive hearings have already been held on both the Senate and House versions of the Administration bill, S. 2838 and H. R. 13472, respectively. While establishing a minimum age (16) for eligibility for participation in the proposed employment programs, these bills establish no upper age limits. As a matter of fact, they indicate a clear intent that persons over age 65 be assisted with employment problems. The bills provide that recipients of Old-Age Assistance and other public assistance who participate in manpower development activities which are not compensated by an employer would be paid, in addition to any public assistance payments to which they might be entitled, incentive payments of not more than \$30 per month, while participating in training and in other manpower development activities.

These bills would authorize Federal-State programs to provide a wide range of employment services for workers of all ages, including middle-aged and older workers. The bills cite examples of the types of services to be provided, among which are basic education, outreach, counseling, testing, on-the-job occupational training, health services and other supportive services, work experience, relocation assistance, and job redesign.

Witnesses who testified at hearings during July, 1968, of your Subcommittee on Employment and Retirement Incomes, gave convincing testimony regarding the need for services of these types if our Nation is to provide employment opportunities for its older residents.

Members of this Committee have shown their interest in comprehensive programs of manpower research to increase employment opportunities for the elderly. The Administration bill would authorize such a program. Of particular interest to the Senator from Minnesota and members of his Subcommittee on Retirement and the Individual is the provision in the research section of the bills which would authorize research on easing the transition from work to retirement.

#### PRIVATE PENSIONS

The Administration has submitted to Congress a proposal to strengthen and improve the protection of participants in and beneficiaries of employee welfare and pension benefit plans. This proposal has been introduced in the Senate as S. 3589 and in the House as H.R. 16462 and would improve the administration of private pension plans in the United States by requiring more disclosure and a higher level of fiduciary responsibility than is now obtained. These improvements will help assure that pension plan beneficiaries will receive benefits to which they are entitled after retirement, thus contributing to the solution of the problem of inadequate incomes in old age.

#### OLDER AMERICANS ACT PROGRAMS

There are a number of programs administered by the Administration on Aging under the Older Americans Act of 1965, as amended, which help to solve financial problems of older Americans as well as helping to meet many other of their needs. Perhaps foremost among them from the standpoint of providing needed income is our Foster Grandparent Program, which, as you know, provides opportunities for older men and women with inadequate incomes to provide individual love and attention to children in institutional settings. Its importance to the economic security of those who serve is illustrated by these statements made by Foster Grandparents:

"My job here means the difference between existing and living."

"My children don't have to help me since I'm working on the Foster Grandparent Program, which they did before."

"The Foster Grandparent Program has benefitted me financially very much, and has helped to maintain my self esteem."

"The pay supplements my Social Security check, makes me feel independent . . ."

As a result of their service in the program, several Foster Grandparents have been able to move into a more suitable apartment or house. Some have been able to take care of needed dental care, for which Medicare does not pay. Many now prepare and eat better meals.

#### HOUSING

This Committee has shown its realization that the ability of an older person to obtain housing adequate to his needs at reasonable cost can have a profound effect on his ability to live on a small retirement income. The Department of Housing and Urban Development estimates that almost 300,000 low rent public housing units are occupied by older single persons and families. This is a tremendous economic boon to these people.

Under the section 236 subsidized mortgage guaranty program, \$17,000,000 has been earmarked for elderly housing since that program began, and applications for 17,500 units for older persons have been funded with the moneys so earmarked. There have been unfunded applications or proposals in pre-application stage for approximately 25,000 additional units for the elderly under section 236, indicating the large demand for elderly housing which has not as yet been filled.

#### CONSUMER INTERESTS

This Committee, especially its Subcommittee on Consumer Interests of the Elderly, has demonstrated the devastating effects frauds and misrepresentations against the elderly can have upon the economic security of older Americans. There have been published documented reports of such exploitation of older consumers as land fraud, patent medicines, physical therapy devices, fraudulent insurance, and home remodeling. Perhaps the most effective countermeasure to these abuses is meaningful consumer education for the elderly, to make it possible for them to protect themselves. Previous reports of the Administration on Aging to your Committee for your "Developments in Aging"

reports have detailed this agency's activities to provide consumer information to older people. Other Federal committees and agencies, such as the President's Committee on Consumer Interests, the Federal Trade Commission, and the Food and Drug Administration also participate in activities to protect older consumers.

#### COMMITTEE QUESTIONS

As Chairman of this Committee, Senator Williams invited our comments on three questions on the subject of this hearing. I shall attempt to present the Administration's views on these issues.

First, your Chairman asked us to comment on the following statement on pages 8 and 9 of your working paper:

"Particularly now that the welfare reform proposal before the Congress would establish a minimum standard of \$110 a month for old-age assistance, the level of the minimum social security payment should be raised; otherwise more and more older people with low social security benefits will need to turn to the assistance program for supplementation of their obviously inadequate incomes."

Social Security is the Nation's basic income insurance program, and provides retirement, disability, and survivors insurance for all who work. Social Security is not just a program for low-income people, or for those with only brief involvement in the work force, but rather a universal income insurance system, serving workers at all income levels.

While the benefit amounts payable under the Social Security program are related to the worker's previous level of earnings, the law provides that a worker with low-average earnings gets a benefit that is a higher percentage of his preretirement earnings than does the worker with higher earnings, in recognition of the fact that the low-paid worker and his family have less margin for reduction in their income than does the worker with average or above-average earnings. For example, a worker who has averaged \$100 a month gets a benefit equal to about 71 percent of his average earnings, while a worker who has averaged \$650 a month gets a benefit of about 33 percent of his average monthly earnings.

Thus, in view of the fact that the low-paid worker already enjoys a considerable advantage under the Social Security program, to raise the Social Security minimum benefit high enough to provide practically everyone getting Social Security benefits with an adequate payment might tend to weaken the fundamental social insurance concept of partially replacing lost earnings. Also, while an increase in the Social Security minimum benefit would result in fewer people having to turn to public assistance, it would also, of course, result in increased costs to the Social Security program. And as long as the program continues to be self-supporting, the increased costs must be met through either smaller benefits for other beneficiaries or larger contributions, or both.

If we should attempt to provide a minimum Social Security benefit of \$110 per month, to match the \$110 per month proposal in the House-passed bill for public assistance recipients, we would be assisting many who have substantial retirement incomes from other sources, such as income from investments, private pensions, and annuities based upon public employment. For many of them, the small minimum Social Security benefit is merely an extra layer of icing on their retirement income cake. Thus, the Administration wholeheartedly agrees with the conclusion expressed in bold-face type on page 8 of the working paper:

"Workers should not be expected to pay higher Social Security taxes in order to pay a high minimum benefit to people who barely meet eligibility qualifications because their lifetime work has been in non-covered employment."

Second, the Chairman asked our views on the proposal of former Social Security Commissioner Charles Schottland that old-age assistance be integrated with social security and that all aged be brought under the combined system which would result. The basic position of the Administration is that the most appropriate primary vehicle at present for bringing *needy* older Americans up to a reasonable standard of living is the public assistance program, rather than the social insurance program. By assuring that all eligible persons age 65 and over will receive monthly incomes of at least \$110, as proposed in the House-passed welfare reform bill, we would assure that assistance go to those who need it most.

One concern with implementing this proposal has been that if non-contributors are to receive payments at the same, or approximately the same, level as many contributors, and if there is no means test for these payments, it may seem quite unfair to those who have contributed toward Social Security.

Moreover, if a non-contributory benefit is administered through the same mechanism as the contributory benefit, there is a possibility that the way people feel about Social Security and their Social Security contributions could be completely altered. There is a real possibility that instead of the identity of the public assistance program being lost in the combined program, the identity of the Social Security program would be lost in it.

Third, the Chairman asked us to comment on the use of general revenues to finance Social Security benefits. It is usually assumed by those who so advocate that this would inevitably result in more generous Social Security benefits, both for retirees of today and for those of the future. While use of general revenue financing might now mean *more* liberal Social Security benefits under the climate of present public opinion, in the future the Nation may be facing an entirely different situation which might result in *less* generous benefits. In any event, the result would be to force the level of Social Security benefits into the political arena, where it would be in competition with all other demands upon general revenues, with all the uncertainties that would entail.

If a substantial part of the cost of Social Security benefits were dependent upon general revenues, there might be pressure to introduce a means test, or some other form of income test, in order to restrict benefits to those with low incomes, since there could be a question of the propriety of financing benefits for high-income people from general taxation. Keeping the financing of the program, as well as the benefits, wage-related helps maintain the character of the benefits as earned payments made to all workers, regardless of their income.

#### CONCLUSION

In line with the position of President Nixon, quoted early in this testimony, this Administration believes that all older Americans should, within the near future, have a standard of life above the poverty level. We believe that we are building toward a permanent floor of decency for those members of our older population who have completed their working years.

**Mr. Martin. He says:**

I regret my inability to be present and to deliver this, my statement, in person. However, I ask that as it is delivered by Commissioner on Aging John B. Martin, you consider it as my statement, approved by me in advance, and expressive of the positions of the Department of Health, Education and Welfare and the executive branch of our Government.

You are to be congratulated on your hearings on all phases of the economics of aging and on the development of background papers related to these hearings.

In the Department of Health, Education, and Welfare we are cognizant both of the strides which have been made toward assuring a favorable economic position for our older population and of the serious plight in which many of the elderly of our country presently find themselves. We recognize that inadequate income is a major contributing factor in every area of concern; housing, medical care, nutrition, transportation and recreation.

In regard to the income programs, we note that Social Security has helped to provide a basic security for many of the Nation's elderly but two facts remain: Income of retired persons averages approximately half of that of the younger population and the effects of inflation are particularly drastic in that group.

The percentage of persons past 65, who are in the labor force has been steadily declining. Nevertheless, 17 percent of this age group are still working. However, their earnings are relatively low due to the fact that they are normally engaged in part-time and low-paid employment.

All States, of course, operate old age assistance programs and it is noteworthy that the numbers of those in the old age assistance pro-

gram have been steadily dropping to a point where it is now about two million persons or 10½ percent of the elderly in December 1969.

#### 4.6 MILLION ELDERLY IN POVERTY

These programs provide some economic guarantees for older persons, but there is still the disturbing fact that they have not prevented the incomes of 4½, 4.6 million, or nearly one-fourth of our nation's older citizens, from falling below the poverty level. The proportion of the Nation's poor who are 65 and over has risen as pointed out in your economic study last year from 15 percent in 1959 to 18 percent at the present.

Some measures are being undertaken to meet the economic status of the older persons. President Nixon has set the tone for his administration's efforts to improve economic conditions among the Nation's elderly in October 1968 when he said:

. . . we can help to improve the financial picture among older Americans. It is a picture which badly needs improving. It is simply unacceptable in America that a large segment of older Americans have incomes below the poverty line. It is unacceptable that the aged should be the one group in the country whose poverty is increasing today. . . . we will give priority attention to the problems of poverty among the aging and . . . we will do everything we can to generate solutions which are thoughtful, workable, and effective.

In this connection, the President has submitted to Congress various measures to generate solutions of that nature. The principal proposals of the President in this area are his welfare reform proposals embodied in the Family Assistance Act, his social security proposals, manpower training proposals and his food stamp proposals.

I wish to comment briefly on each of these.

#### FAMILY ASSISTANCE ACT

Enactment of the welfare reform proposals would go far toward abolishing poverty among the aged in the United States. The Family Assistance Act was originally introduced in the Senate and House and as modified became H.R. 16311 reported out of the House Ways and Means Committee, passed by the House with bipartisan support, on April 16.

The Senate Finance Committee is now studying this proposal.

The proposal as passed by the House would provide that the minimum public assistance benefit for all adult categories when combined with other income would produce a total income of at least \$110 per month. This would assure an income of \$1,320 per annum for every person over 65 in the United States whose assets are such as to meet the applicable means test and \$2,640 for elderly couples where both husband and wife qualify.

While the amount for a single individual falls somewhat short of the official Federal estimate of the annual incomes needed to bring single older persons out of poverty, other provisions of the administration's proposal relative to food stamps and allowable personal and real property would help bring recipients substantially closer to a minimum standard of decent living.

Another means of augmenting the income of the elderly poor is through the food stamp program. This will be enhanced if the administration's food stamp proposals are enacted.

#### FOOD STAMP AMENDMENTS

As the committee knows, they furnish an economic benefit because the face value is greater than the cost, and they can be used in retail food stores to obtain more food than could be bought with the money used to purchase the stamps.

The cost of the stamps is on a sliding scale relative to individual incomes.

As a result of cooperative efforts between the legislative and executive branches, an increase of \$610 million in funding for the food stamp program was enacted last year. This made it possible to expand the program into areas which formerly lacked a family food assistance program.

We are presently studying the feasibility of the extension of the use of food stamps to centers which would provide group eating opportunities for the elderly.

Such a program would also result in better nutrition of older people, which is subject to serious deficiencies as shown by recent studies. This becomes particularly true for older persons eating alone.

#### 1970 SOCIAL SECURITY BILL

The social security proposals enacted by the Congress would help many older persons out of poverty. Proposed future automatic adjustment of benefits, earnings base, and retirement test would help to keep the system's benefits abreast of the higher wages and the higher standard of living which the Nation faces. Widows, who are among the most vulnerable to poverty in old age, would be helped by the administration's proposal to increase their benefits at age 65 from 82½ percent to 100 percent of the amount their husbands would have received at that age.

Under the proposed change the economic benefit would always be improved by working no matter how high his earnings were. I look forward to receiving next January the report of the Advisory Council on Social Security which will be submitted to Congress. This body has been reviewing all aspects of the social security system and has a primary responsibility to develop appropriate legislative proposals to improve that system.

We are looking forward to substantial recommendations for improvement of the system at that time.

#### MANPOWER AND PENSION PROPOSALS

In the area of manpower training, the administration's proposals would also help bring older persons out of poverty, especially those who are able to work and want to work, at least part-time. There are a good many of these, as you know. Extensive hearings have already been held on the administration's manpower bills, which establish a minimum age of eligibility for participation in the proposed programs but establish no upper age limits.

This, of course, is very important to us. As a matter of fact, they indicate a clear intent that persons over 65 be assisted with employment problems. The bills provide that recipients of old age assistance and other public assistance who participate in these manpower development activities who are not compensated by an employer would be paid in addition to public assistance payments incentive payments of not more than \$30 per month while in training.

In the area of private pensions, the administration has submitted to Congress a proposal to strengthen and improve the protection of participants in and beneficiaries of employee welfare and pension benefit plans. This proposal has been introduced in the Senate as S. 3589 and in the House as H.R. 16462, and would improve the administration of private pension plans in the United States by requiring more disclosure and a higher level of fiduciary responsibility than is now obtained.

There are a number of programs administered by the Administration on Aging under the Older Americans Act of 1965, as amended, which help to solve financial problems of older Americans as well as helping to meet many other of their needs. Perhaps foremost among them from the standpoint of providing needed income is our foster grandparent program, which, as you know, provides opportunities for older men and women with inadequate incomes to provide individual love and attention to children in institutional settings. This is a program which is a proven program today and when fiscal constraints are lightened, we hope it will be expended materially.

As chairman of this committee, Senator Williams, you invited our comments on three questions on the subject of this hearing. I shall attempt to present the administration's views on these issues.

#### HIGHER WELFARE VERSUS INCREASING MINIMUM SOCIAL SECURITY

First, you asked us to comment on the following statement on pages 8 and 9 of the working paper submitted to the committee.

Particularly now that the welfare reform proposal before the Congress would establish a minimum standard of \$110 a month for old-age assistance, the level of the minimum social security payment should be raised; otherwise more and more older people with low social security benefits will need to turn to the assistance program for supplementation of their obviously inadequate incomes.

Social security is the Nation's basic income insurance program, and provides retirement, disability, and survivors insurance for almost all who work. Social Security is not just a program for low-income people, or for those with only brief involvement in the work force, but rather a universal contributory wage related insurance system serving workers at all income levels.

In view of the fact that the low paid worker already enjoys a considerable advantage under the social security program, raising the social security minimum benefit high enough to provide an adequate payment for practically everyone getting social security benefits might tend to weaken the fundamental social insurance concept of partially replacing lost earnings.

Also, while an increase in the social security minimum benefit would result in fewer people having to turn to public assistance, it



would also result in increased costs to the social security program. As long as the program continues to be self-supporting, the increased costs must be met either through smaller benefits for other beneficiaries or larger contributions, or both.

#### INTEGRATE OLD-AGE ASSISTANCE WITH SOCIAL SECURITY

Second, the chairman asked our views on the proposal of former Social Security Commissioner Charles Schottland that old-age assistance be integrated with social security and that all aged be brought under the combined system which would result. The basic position of the administration is that the most appropriate primary vehicle at present for bringing needy older Americans up to a reasonable standard of living is the public assistance program, rather than the social insurance program. By assuring that all eligible persons age 65 and over will receive monthly incomes of at least \$110, as proposed in the House-passed welfare reform bill, we would assure that assistance go to those who need it most.

One concern with implementing this proposal has been that if non-contributors are to receive payments at the same or approximately the same level as many contributors, and if there is no means test for these payments, it may seem quite unfair to those who have contributed toward social security.

Moreover, if a non-contributory benefit is administered through the same mechanism as the contributory benefit, there is a possibility that the way people feel about social security and their social security contributions could be completely altered. There is a real possibility that instead of the identity of the public assistance program being lost in the combined program, the identity of the Social Security program would be lost in it.

#### GENERAL REVENUE FINANCING

Third, the chairman asked us to comment on the use of general revenues to finance social security benefits.

If a substantial part of the cost of the social security benefits were dependent upon general revenues there might be pressure to introduce a means test or some other form of income test in order to restrict benefits to those with low incomes since there could be a question of the propriety of financing benefits for high-income people from general taxation.

Keeping the financing of the program, as well as benefits, wage related helps maintain the character of the benefits as earned payments made to all workers, regardless of their income.

In conclusion, the Secretary wants to say that in line with the position of President Nixon quoted earlier in this testimony, this administration believes that all older Americans should within the near future have a standard of living above the poverty level. We believe in the measures described. We are building toward a permanent floor of decency for those members of our older population who have completed their working years.

Thank you. We are available for questions.

## PREPARATION FOR WHITE HOUSE CONFERENCE ON AGING

The CHAIRMAN. Thank you very much, Mr. Martin.

I wonder if we could learn how the proceedings are getting along on preparations for the White House conference. I personally haven't heard of a great deal of activity.

May I ask whether the States have had preliminary conferences?

Mr. MARTIN. The States have not had general conferences. I might outline to you what we are in the process of doing.

We are working closely with the State agencies on aging as the sort of preliminary focal point for developing the program in each State. We have a 3-year proposal in which during the first year we want to give older people in each State an opportunity through older persons forums to express themselves as clearly as they can so we can get as much value as possible out of the views of older people themselves.

Those forums and a certain number of regional hearings will be held during this first preliminary year.

The local and State White House conferences will not be held until late winter and early spring of 1971. We expect at that time that not only will there be local conferences held but there will be State conferences in each State at about that time, probably sometime in May.

Those conferences will have the benefit of the recommendations of the older Americans forums which are held in 1970. They will have the benefit of position papers which will be prepared by that time on each of the subject matter areas at the conference and they will have the advantages of the recommendations of professional groups and specialists, providers of service and so on, and data gathered by the States and at the Federal level through the social security office and through the census so that the local and State White House conference will have complete data on which to base their recommendations.

Those recommendations will then be collated and brought together for the White House conference itself which is scheduled to be held in the last 2 days of November and the first 2 days of December 1971. Our basic staff is fairly well recruited now. We have been in touch with the older American membership organizations who have contact with most of the persons who are actively involved in such organizations.

We have met with numerous other groups and are moving forward very rapidly.

The Governors will be asked within the next few weeks to issue a call themselves for the White House conference. They have already issued a call for senior citizens month which included references to the White House conference, but they will now be asked to issue a call for their own State conferences.

And I simply say that we are in active motion on this. We will have obligated by the end of the fiscal year the full amount of the funds which were made available to us by Congress for that period, and we anticipate that we will have in the next fiscal year an additional \$1 million on which to operate, if Congress sees fit to go along with the recommendations in the budget.

The CHAIRMAN. How much money has been allocated?

Mr. MARTIN. So far, for fiscal 1970, which ends in June, only \$250,000, but as of the following fiscal year we anticipate, as I say, if the budget request is complied with, an additional \$1 million, so it will be a total \$1,250,000 for the 2 fiscal years.

The CHAIRMAN. The authorization was \$1.9 million.

Mr. MARTIN. I assume that was for the entire conference.

The CHAIRMAN. So far the money that has been allocated is \$250,000.

Mr. MARTIN. That is the amount allocated for fiscal year 1970, yes. That is all we have had need of because it is at this stage primarily a matter of hiring basic staff and making some basic contracts for the production of papers and matter of that kind.

The CHAIRMAN. On the total authorization, and your first allocations to date, has any of that money been allocated to the States for their preliminaries?

Mr. MARTIN. No.

The CHAIRMAN. I thought I recalled that that was considered and that was recommended. I am advised we did make it.

Mr. MARTIN. I believe at the time the resolution was considered that there was intended to be some \$600,000 in the appropriation for State use. But the Bureau of the Budget did not provide funds for that purpose.

At least in the 1971 fiscal year budget, the \$1 million does not include funds for bringing delegates for example to the conference, which is the primary need that the States may have.

I have been exploring the possibility, as was done with the White House Conference on Nutrition, of obtaining foundation funds for this purpose. But I would not say at the moment that this looks like a fruitful prospect.

The CHAIRMAN. How does this compare with the experience of the first White House Conference on Aging?

Mr. MARTIN. The first White House Conference on Aging cost a little more than \$2 million.

The CHAIRMAN. How many years of preparation did that entail?

Mr. MARTIN. I can't give you the exact length of time on that, but I think perhaps approximately the same time—about 2 years.

#### TOO MUCH SPENT ON ELDERLY?

The CHAIRMAN. Mr. Martin, you submitted the statement from the Secretary. One of the specific questions is that a philosophy has come from the Secretary, and I think it fair to ask you to comment. Most recently, April 24, Secretary Finch was quoted saying, "We already spent too great a share of Federal money for persons over 60."

This same attitude of the Secretary was expressed last year, as you will recall, a comparison of money spent for the older people and the younger people.

Last year, I asked you about this, as I recall it, and you said there was a misunderstanding. How are we to interpret last week's statement? I think it was made out in California at a press conference—at least I read it in the newspaper.

Mr. MARTIN. Senator, I interpret that not as indicating that on any permanent basis more money is being spent, but that there are

some very pressing needs in the field of youth and so on, which call for additional appropriations at the present time.

However, I think that the Secretary's position really has to be judged by what he has actually done. The Secretary has been active in promoting the family assistance plan which recognizes very clearly the additional needs for older people and promoting the various amendments to the Social Security Act which the administration has put forth, and in the recommendations which he made recently with respect to improvements in the medical care program, particularly the addition of a part C of the Social Security Act.

(Commissioner Martin later submitted to the Committee the reply of Secretary Elliot Richardson, Secretary Finch's successor, when asked a similar question about Secretary Finch's reported remarks. Secretary Richardson said at a hearing before the Senate Finance Committee on June 21, 1970: "\* \* \* I would be surprised if this report accurately reflected Mr. Finch's views \* \* \*")

These are all indications which speak very clearly of the President's concern for older people at this time.

#### ADEQUACY OF 5 PERCENT INCREASE

The CHAIRMAN. The House is moving toward a 5 percent increase in social security benefits and other matters. You have addressed yourself to this generally. I believe you stated the administration's position for automatic adjustments. But on the amount of money increase, what is your judgment as to the five percent? Is that adequate?

Mr. MARTIN. Senator, this is a step taken in committee that hasn't even reached the floor. Mr. David, Assistant Commissioner for the Social Security Administration will answer this.

#### STATEMENT OF ALVIN DAVID

Mr. DAVID. Mr. Chairman, you will recall that the President recommended last year a 10 percent increase in the social security payments at that time. What he had in mind, and what he said he was planning there, was that having just established under the statute a Social Security Advisory Council, which was due to report to him and to the Congress the end of 1970, he thought he should not make any fundamental proposals for change in the social security system pending the work and consideration by that advisory council. Therefore he proposed last year an emergency kind of thing to take care of the immediate situation growing out of the fact that the costs of living had been increasing rather markedly.

In line with that increase, and with the increases that he expected to occur—that might reasonably be expected to occur later in the year—he proposed a 10 percent increase in social security last year.

Instead of that, the Congress, as you know, enacted a 15 percent increase effective for the month of January 1970. The checks went out April 3 with a retroactive payments back to January.

So I think that the President's position would be that since the Congress did a little bit more than he had proposed, he would still want to wait for the advisory council to report before making any judgment or comment as to whether 5 percent is the correct amount now.

The CHAIRMAN. Now coming to you, Mr. Martin, how do you feel about it?

Mr. MARTIN. It seems to me that that is essentially a correct statement of the President's position.

The CHAIRMAN. I think we understand what the President has said and what we did. But we want to know what you think personally.

Mr. MARTIN. Senator, there is no question that—and the President has made clear—there ought to be as much done as possible to increase the level of income of older people who are on the bottom economic level. It is necessary to exercise judgment as to what the capabilities are, so that it is possible to say we recognize the need for increases, but also to say that we recognize the need for some constraints in terms of what the system generally can bear and afford to meet.

So, I am in support of the President's position at this time.

The CHAIRMAN. Which is wait?

Mr. MARTIN. Which is wait.

The CHAIRMAN. Except for your clear statement, and this is the administration's position, on changing the law and providing for automatic increases.

Mr. MARTIN. That is correct. If the Congress had gone along with automatic increases—and I am not sure whether they will or not—this would correct a difficulty which recurs and which ought to be corrected. I know that the House bill does not presently include this. But that does not alter our view that that ought to be included, that there ought to be automatic increases in connection with the rise in the cost of living.

In considering this proposed 5 percent increase, I think we must bear in mind that when we use the unified budget, as we are now, outlays are all treated the same way. Thus, the issue is whether the Federal Government should attempt to improve economic conditions of the poorest of the elderly poor by establishing a floor under old-age assistance or by raising the minimum social security benefit. The administration has proposed a floor under old-age assistance and other public assistance programs.

The CHAIRMAN. Senator Muskie?

#### AVERAGE MONTHLY PAYMENT

Senator MUSKIE. What is the average monthly payment? You say the average monthly payment in June 1969 was \$100 for a retired worker. What is it now?

Mr. DAVID. I believe, Senator Muskie, that for old-age beneficiaries, including men and women who receive reduced benefits because of early retirement and so on, the average would be about \$116 a month. For a couple, the average would be about \$195 a month.

The averages run higher for men who have wives. There the average will run somewhere, just a little short of \$200, like \$195 a month.

Senator MUSKIE. What is the poverty line for an individual?

Mr. MARTIN. The poverty line for an individual is at the present time \$1,665.

Senator MUSKIE. With the increases voted last year, we are still below the poverty line.

Mr. MARTIN. You are not depending necessarily on the social security system to meet all of the economic needs of your older population because you have a public assistance program as well to assist in that situation.

Senator MUSKIE. Do all people who are below the poverty line in terms of the social security system get supplementary assistance?

Mr. MARTIN. It is my understanding that about three-fifths of all those on public assistance also receive social security.

Senator MUSKIE. Does that mean that two-fifths are still below the poverty line if they get no more than the average social security payment?

Mr. MARTIN. No. I think it means that those who are not receiving assistance are above the poverty line.

Senator MUSKIE. Are you satisfied that there are no old age recipients under social security who are below the poverty line with all forms of assistance they get?

Mr. MARTIN. No. I am not satisfied that that is true in every case.

Senator MUSKIE. Do we have any statistical evaluation of that point?

Mr. MARTIN. I think we can supply that, Senator.

(Commissioner Martin later submitted the following table, which he said is based upon statistics compiled by the Social Security Administration.)

*Estimated percent of aged beneficiary units who were classified as poor in February 1968<sup>1</sup>*

<i>Marital and beneficiary status</i>	<i>Percent poor</i>
Married couples:	
Both receiving OASDHI.....	23
One receiving OASDHI.....	20
Nonmarried persons:	
Men.....	45
Women: Retired workers.....	58
Widow beneficiaries.....	69

<sup>1</sup> Based upon the following 1967 thresholds of poverty: Married couples, \$2,020 per annum; nonmarried persons, \$1,600 per annum.

Mr. MARTIN. This is one reason why the administration has recommended the minimum old age benefits in the proposed "Family Assistance Act of 1970." As you know, they would provide a Federal financial floor below public assistance clients, and would assure them that since it is primarily a Federal base, they would be certain of recovery at least \$110 per month.

Senator MUSKIE. That is below the poverty line.

Mr. MARTIN. It is below the poverty line for singles, but it moves a great many million of people in the right direction. It may not be possible to reach this line with everyone instantly, but it is a tremendous step forward, particularly in those states which have a very low public assistance payment.

Senator MUSKIE. That applies to people other than our older citizens. It applies across the board. With reference to older citizens, we don't know what the statistical picture is.

Would you agree that the objective ought to be to take all of our older people above the poverty line?

Mr. MARTIN. I agree that that is exactly what we should be shooting for.

Senator MUSKIE. Should we be moving to achieve it?

Mr. MARTIN. I think we should be moving to achieve it. But I don't know, Senator, whether in the light of your fiscal constraints and the other things we are having to do at this time that we can achieve it in one jump. What I am saying is if Congress enacts the family assistance plan we will have taken a very large step in that direction and hopefully we will keep on going.

#### INFLATIONARY EXPENDITURE

Senator MUSKIE. Is it the view of the administration that payments made to old age recipients are inflationary in their impact?

Mr. MARTIN. No, I don't think so.

Senator MUSKIE. So it isn't that constrained.

Mr. MARTIN. No, I don't think so. But we are spending money for a good many other things, including the war.

Senator MUSKIE. That is inflationary. Does the administration make any distinction between payments, program spending that is inflationary and spending which is not?

Mr. MARTIN. I don't know that I can answer that question. But I do know that the administration is doing everything it can to stay within some limits of a balanced budget and that that is a major objective.

Senator MUSKIE. I understand. I don't want to get involved in the foghorn argument as to what the priorities ought to be. But are you satisfied that payments of this kind are not inflationary? If they are not, would it be your view that we ought to have a different policy with respect to restraining programs of this kind than we do with other kinds of programs where the spending is inflationary? Do you think a distinction ought to be made of this kind?

Mr. MARTIN. I think all spending, of course, in large amounts can have an inflationary effect.

Senator MUSKIE. Extending to all people who spend it only for necessities?

Mr. MARTIN. I think you put different priorities on what you do provide funds for, depending upon the use of those funds, recognizing that all expenditures may be inflationary in character.

Senator MUSKIE. With respect to what people have to spend for the necessities of life, and if they are below the poverty line, I take it their spending is all for necessities. I am not persuaded that that is inflationary. The amounts are great because you have a lot of people

So even small sums individually amount to a lot of money overall. So I suppose it is a temptation to think that because a large total sum is involved that that is inflationary.

But I really can't accept the argument that the spending for the necessities of life is inflationary or if it is and to the extent that it is that the burden of dealing with inflation should be imposed upon people whose spending is only for the necessities of life.

Mr. MARTIN. Senator, as Commissioner on Aging, I am not arguing that it is a bad thing to spend money for older people, ob-

viously, or that merely because it might have some inflationary effect that we shouldn't consider the need.

What I am saying is that the administration has some broad considerations which don't apply solely to this particular field that may limit the amount that it feels at any particular time that it can spend for this particular purpose and that those considerations obviously have some effect on determining what particular dollar amount per person can be spent.

Senator MUSKIE. I don't think it is fruitful to belabor the point. But to some, what the administration's position is, is that because of inflation considerations having to do with inflation and budgetary constraints, the administration is not prepared to lift all old-age social security recipients above the poverty line at this time.

Mr. MARTIN. I would reply to that as I have before, that the administration is making a tremendous advance in this direction; that this is a creditable thing; that it was not done previously; and that therefore the administration is entitled to credit for it, not criticism.

Senator MUSKIE. All I have done is ask some questions, Commissioner.

Mr. MARTIN. I am not questioning your motives, sir.

Senator MUSKIE. I have said some favorable things about the administration's willingness to come to grips with its welfare plan. I think it is inadequate in many respects, but I think the President is deserving of full marks of being willing to take this innovative step.

Nevertheless I am using you only to raise the issue, where we are faced with a very difficult issue here. What is involved in a very real sense, at least from the point of view of these old-age recipients, they are being asked to bear the burden of inflation when all they are really asking for is the necessities of life.

We each have to make that judgment. The administration has made its judgment and we have to as well.

I will yield to Senator Kennedy.

Senator KENNEDY. Thank you very much.

Commissioner, I want to extend a word of welcome to you. I have just a couple of questions, if I could.

We have reviewed the importance of the 1971 White House Conference on Aging on other occasions when you have been here. I have noticed that we authorize some \$2.1 million for this. Earlier in 1961, we determined that \$1.9 million was necessary for that year's White House Conference on Aging. Yet, the administration has only requested \$1 million for it this time around.

#### DELEGATE EXPENSES, WHITE HOUSE CONFERENCE ON AGING

As I understand it the administration has indicated that you would be reluctant to defray the cost incident to the State delegates attending.

Mr. MARTIN. There is no real specific indication of that, Senator. The figure is \$1,250,000, actually, because \$250,000 was made available for fiscal 1970. \$1 million is in the Budget for fiscal 1971 with some authority for carryover. The \$650,000 difference between this \$1,250,000 for fiscal years 1969 and 1970 and the \$1,900,000 author-



ized can be budgeted and appropriated for fiscal year 1972, during which fiscal year the conference will be held.

Senator KENNEDY. What will you be able to allocate to the States then? As I am following and tracking the record of 1961 in which the Congress appropriated \$1.9 million, some of these funds went to States for preconference planning and local and regional preliminary conferences. We authorized a slightly higher figure of \$2.1 million this time, as a result of the hearings of the Committee on Aging, realizing that it would be necessary to defray costs incident to State participation in this.

What kind of cutbacks then do you intend for the States to have?

Mr. MARTIN. We think that the States can carry the cost of local and State conferences themselves. There was a time of course when in 1961—

Senator KENNEDY. For the White House conference?

Mr. MARTIN. Yes.

Senator KENNEDY. You think the States would be —

Mr. MARTIN. I think the States can very readily cover the costs of their own local and State conferences. There doesn't seem to me to be any problem.

Senator KENNEDY. Leading up, in preparation to the White House conference?

Mr. MARTIN. Yes, sir. Different kinds of State conferences have been held. We have held a conference every year in Michigan and in other States without any assistance from the Federal Government whatsoever.

#### PRELIMINARY STATE CONFERENCE

Senator KENNEDY. How many States have held conferences on the aging for example?

Mr. MARTIN. There have been no State White House conferences held. Those are scheduled, as I explained to Senator Williams a little earlier, to be held in the spring of 1971. Preliminary to that are what we call older American forums, which we hope will be held in September of this year, where older people themselves are going to do most of the speaking.

But the State White House conferences should be held in the spring of 1971 in order to get them as close as possible to the national conference.

Senator KENNEDY. Of course, it was a determination by the Committee on Aging and Congress as a whole, that States need this assistance if this program of having a White House conference is going to be meaningful. I am disturbed that the administration now makes the determination that the States themselves ought to assume the burden. I am not familiar with many States allocation of resources for the aged, but I do know that in Massachusetts they are extremely limited.

What you are really doing is placing an additional burden on very scarce resources at a time when there has been a finding certainly by the Congress, that there should be help and assistance at the Federal level in stimulating and assisting State conferences if the White House conference is going to be successful.

Mr. MARTIN. The principal representation, Senator, that has been made to me relates to the cost of bringing delegates to Washington. This is a cost which would not be borne by whoever pays for it until late in 1971, actually fiscal 1972.

There has been no final decision so far as 1972 is concerned. The only thing, however, that we are assured of at this moment is the \$1,250,000, assuming Congress appropriates the full amount requested in the President's budget.

But I don't think the States face any financial problems, certainly not before the conference itself is held. And I think that if necessary funds can be found locally to bring those delegates to Washington—

Senator KENNEDY. And if they can't be?

Mr. MARTIN. I think they can be. I think funds can be found. Whether the administration will decide to request additional funds I can't say at this time.

Senator KENNEDY. You wouldn't propose any kind of amendment if we felt, as we already have in terms of the authorization, that there should be funds available to help and assist those States for this kind of transportation?

Mr. MARTIN. That would be a decision for Congress to make, of course.

#### RETIRED SENIOR VOLUNTEER PROGRAM

Senator KENNEDY. Let me ask you about the RSVP program. Last year when we had the hearings on the Older Americans Act, at page 102 of the hearings you said—

We think that the [RSVP] program as proposed is a good program. We think, however, it would be wise to go into it through a planning year, during which we would use some of our title IV funds for the establishment of demonstration projects in this area to test out various ways of proceeding with the program, rather than trying to plunge into the program without adequate planning.

Perhaps that was a good plan back then. But now we move into the second year, and we have authorized \$10 million for fiscal 1971. The administration has failed to come up with any request for any authorization for it.

Could you tell us why?

Mr. MARTIN. I think solely it is a question of whether the administration desired to start a new program at this time in the light of general fiscal constraints. We have not changed our opinion about the value and the importance and the desirability of that program.

Senator KENNEDY. Yet, there is no request whatsoever for starting that program?

Mr. MARTIN. No request in the President's budget, that is correct.

Senator KENNEDY. That again is for fiscal reasons?

Mr. MARTIN. Yes, I assume that is the reason.

Senator KENNEDY. You have funds under title IV under the demonstration projects. Have you used any of these title IV funds for demonstration or pilot RSVP programs?

Mr. MARTIN. We have been negotiating to set up a statewide project and to use some of our funds for that purpose with the State of New York. The statewide project depended upon some State funds

and those funds we have just been informed are not going to be forthcoming at least in the fiscal year, although the Governor plans to recommend them for the succeeding year.

So, at the moment, we don't have a pilot program in motion.

Senator KENNEDY. Is there any reason why you couldn't use title IV funds?

Mr. MARTIN. No, there is no reason why we can't.

Senator KENNEDY. Do you feel, as you have stated this morning and last year in terms of the value of the program, that if requests were made you would consider funding these programs?

Mr. MARTIN. We would within the limits of what we have. Title IV funds are not very munificent, but within the limit of those funds, we would. We will be aggressively looking for another opportunity to use those funds in some other situation.

(After the hearing Commissioner Martin informed the committee that a decision had been made within the Department of Health, Education, and Welfare to establish one model Retired Senior Volunteer Program project in each of the ten regions during Fiscal Year 1971 using title IV funds and other research and development funds available to the Department. He also advised the Committee that a 1-year management consultant contract had been signed to conduct a study of establishing an RSVP program throughout the Nation.)

Senator KENNEDY. It just seems that everyone supports using seniors, working as volunteers, assisting seniors and others who need help. Everyone thinks it is a good idea, yet we don't have any funds at all. You express the reservations about it because of the starting of a new program. But certainly I would think, in terms of meeting the intent of Congress, that this kind of a program at least ought to get some consideration in title IV programs. It has been tested out in practice and in congressional hearings and there is good support for it.

It is something that I would certainly hope you will move forward on, even with the limited funds.

#### TRAINING PERSONNEL FOR THE ELDERLY

On the training programs which we also reviewed last year, it was estimated that the need for personnel specially trained to care for the elderly will increase from 330,000 in 1968 to at least one million in the early 1970's.

The LBJ budget for 1970 requested approximately \$3.5 million for training. Yet only \$3 million, as I understand, is requested for this year—almost \$500,000 less than was requested or thought to be the need 2 years ago, and this is so in spite of the extraordinary increase in numbers of people that are needed to care for the elderly, a need which you commented on even a year ago and which I imagine is the case today.

Would you like to make any comment? We are struck once again by the deficiency in the funding of this program.

Mr. MARTIN. We had to allocate our available funds within the overall limits of the budget figure that we were given and that permitted us to increase it slightly from what it had been to \$3 million.

But this was the best that we could do without injuring other parts of the program. There is no question about the need for addi-

tional training. I believe that if it were fiscally possible we could double the number of people we are training at the present time.

Senator KENNEDY. You could double the number of people if you didn't have the kind of fiscal restraint?

Mr. MARTIN. That is right.

Senator KENNEDY. You have these kinds of requests, these kinds of needs?

Mr. MARTIN. Yes.

Senator KENNEDY. I think that is helpful. I think all of us have realized, Mr. Commissioner, that perhaps if these things were completely up to your own determination it would leave us significant increases in the aging. But I share what I felt to be the sentiment expressed by my colleagues that the aged people in this country are really on the financial short end of the stick in terms of meeting applications and requests, in spite of clearly demonstrated needs. In terms of income, 40 percent of our elderly are poor or near so. Yet our programs have been going along only at a very modest level—programs like RSVP, the senior service corps, the foster grandparent program, and others.

I am distressed, along with my colleagues, at the inadequate resources which have been requested or allocated by the administration for these programs.

I appreciate the Senator from Maine yielding to me, and request that my prepared statement be inserted in the record.

Senator MUSKIE. Without objection, it is so ordered.

(The statement referred to follows:)

PREPARED STATEMENT OF HON. EDWARD M. KENNEDY

Mr. Chairman and members of the Senate Special Committee on Aging, this hearing on the "Economics of Aging" is both timely and significant.

We are meeting just as the House Ways and Means Committee prepares to report its Social Security bill. The Senate will act soon afterwards, and it is to be hoped that we will vote broad reform which will build upon the 15 per cent benefit increase voted in December.

On another matter, welfare reform, the Senate Finance Committee has received a House-passed Family Assistance Program which calls for a much-needed "floor" under Old Age Assistance.

Congress thus awaits action on two important matters related to retirement security.

Therefore, the facts gathered within the past year by this Committee on the Economics of Aging have special relevance and great urgency.

Those facts should be heeded by every American, young and old.

It is a fact that approximately 7 million older Americans live in poverty or near-poverty.

It is a fact that most of today's retirees live on less than half of the income of those still in the labor force.

It is a fact that Medicare—vital as it is—covers less than 50 per cent of all medical costs of the elderly. The threat of financial disaster caused by health problems still hangs very much over the heads of older Americans.

Those Americans who have not yet reached age 65 must face facts, too.

—The so-called "older workers"—men and women past age 45—are especially vulnerable to long-term unemployment and reduced security in retirement.

The wave of layoffs now plaguing many industries throughout the Nation is causing special harm to the older worker.

—The private pension system, while providing an important service to the nation and to millions of workers, is not providing adequate help to those who need it the most.

The projections made by one of the Task Force Members to this Committee clearly indicate that private pension payments of the future will provide uneven protection for the retirees of the future.

—And finally, a much greater commitment must be made to the Social Security system, not only for the sake of today's elderly, but for the sake of today's workers, too.

Nelson Cruikshank, President of the National Council of Senior Citizens, has—in the working paper prepared for this Committee—presented many other facts directed at today's workers. Those facts should be heeded.

Mr. Chairman, this hearing is taking place during the first few days of what has been proclaimed as Senior Citizens Month. We have been told that the theme for the month shall be "Older Americans Speak to the Nation—Prologue to the 1971 White House Conference."

That is a laudable sentiment, and I do hope that many elderly individuals do indeed speak. In fact, just a few days ago I heard directly from approximately 10,000 residents of Massachusetts who told me, in no uncertain terms, what "senior power" means.

But it seems to me that Older Americans have been speaking out for years, and their remarks can't be limited to the month of May.

They have spoken out before this Committee again and again. They have spoken before the Special Subcommittee on Aging which I chair for the Senate Labor and Public Welfare Committee. They are speaking out through the municipal, county, and State agencies on aging established through the Older Americans Act of 1965. They are speaking out in senior citizen clubs and at senior centers.

They are making themselves clear. They do not want second-class economic status. They do not want to become isolated from society. They do not want empty lives.

Yes, the elderly are speaking out.

"I'd like to see a great chunk of resources put in at the lower end of the age spectrum and hold (spending) at the top end."

One might think that Mr. Finch may have changed his views since last June. But I refer you to the Washington Post of April 24, 1970.

There, an Associated Press report quotes Mr. Finch as saying:

"We already spend too great a share of Federal money for persons over 60."

Why does Mr. Finch pit the elderly against the youth of the Nation? Why can't he see a need for action on two fronts?

I understand, Mr. Chairman, that you invited Secretary Finch to be here today. I understand, too, that he will not attend, just as he did not attend at the opening hearing a year ago.

It is unfortunate that these hearings must conclude without some expression of policy and commitment from the cabinet member who bears the greatest responsibility for programs meant to serve older Americans.

Earlier, I alluded to a Presidential Proclamation which portrays this month as a kind of prologue to the White House Conference on Aging in 1971. And that raises another question about the attitude of the present Administration to aged and aging Americans.

President Nixon, in his proclamation, declares "For too long we have lacked a national policy and commitment to provide adequate services and opportunities for older people."

I think, perhaps, that the lack of national policy is more a product of the past 14 or so months than in the years immediately preceding it.

What have we since January 1969?

An Administration which at first reluctantly proffered a 7 percent increase in Social Security, was finally prodded into proposing a 10 percent increase, and which hinted darkly that a 15 percent increase might be unacceptable.

An Administration which rejected the funds authorized by the Congress for programs under the Older Americans Act.

An Administration which is not effectively implementing the Age Discrimination in Employment Act.

An Administration which is permitting vital research on aging to be scrapped.

And, reluctant as I may be to accept it, an Administration which is apparently making only a half-hearted effort in planning the White House Conference on Aging in 1971.

Mr. Chairman, I note that John Martin, Commissioner of Aging and Special Assistant to the President for the Aging, will testify on Wednesday. I hope he can give us some assurances on this matter.

The White House Conference on Aging—as envisioned by the Congress when we passed legislation calling for that Conference—was to be an act of affirmation, a next step to action.

It can achieve both purposes.

And, it can be a challenge to us in Congress—on the matter of retirement security and other major issues—to take action during these forthcoming months that will clear the way for bold and far-reaching impact by that conference.

And let us not think only in terms of problems. As President Kennedy's Message on Aging said in 1963:

"This increase in the life span and in the number of our senior citizens presents this Nation with increased opportunities: the opportunity to draw upon their skill and sagacity—and the opportunity to provide the respect and recognition they have earned. It is not enough for a great Nation merely to have added years to life—our objective must also be to add new life to those years."

Senator KENNEDY. I want to thank the Commissioner for coming up here. He is always willing to testify before the myriad of aging committees which exist in the Senate. Although we still wrestle around in terms of the figures and numbers, I think his comments in terms of the value of these programs are always useful.

Mr. MARTIN. Senator, I consider it a privilege to appear before this committee and the others that I have appeared before. I might say that I think the work which this committee has done has been of tremendous value to the older people of this country and will continue to be. I hope, because it gives them a voice and it gives a focal point of concern in Congress which is extremely valuable.

#### PICTURE NOT SO DARK

Mr. DAVID. Mr. Chairman may I make a comment that I think may be of interest to the committee in connection with the questions that Senator Muskie raised?

Without attempting to judge whether the level of social security benefits on the whole should or shouldn't be raised, but leaving that aside as something that the advisory council is studying, I should point out that the situation as it stands now is not quite as dark as it may seem from the questions and figures that we have before us.

At the present time, the benefits under social security for a person who has been regularly working in covered employment are, even for a single person, above the poverty line, and for a couple considerably above the poverty line; this is true even for a person who has been regularly in covered employment at a very low wage, such as the wage of the Federal minimum hourly wage at the present time.

The benefits that would be paid to such a single person would be almost \$140 a month.

The reason that we have an average benefit that is considerably below that figure for a single person is that it is relatively easy to become eligible for social security benefits. In other words, a person can become eligible for benefits with earnings of \$50 a quarter in only 1 calendar quarter out of every four elapsed after 1950.

Consequently, we have many people now on the old age rolls who have had only a very brief, sporadic, irregular connection with covered employment during their working lifetime.

For a person who has a very low wage, let's say under \$100 a month, the social security provisions will result in a social security payment for him of about 80 percent or a little bit more than 80 percent of his average wages. For a couple, getting the minimum benefit it is about 130 percent of their average wages. So, they get a payment which is still a high proportion of their earnings loss, or their average earnings, and can even be an amount in excess of their average earnings.

Senator MUSKIE. What you are saying is that the poverty line in terms of social security benefits is roughly at that level established by the minimum wage?

Mr. DAVID. I would say that the benefits for a person who has been more or less regularly in covered employment even though at a low wage, are roughly at the poverty line now for a single person and above the poverty line for a couple.

Senator MUSKIE. What is the Federal minimum at this point?

Mr. DAVID. I think it is \$1.60.

Senator MUSKIE. So, a worker who has had enough quarters at \$1.60 an hour, you say, would receive social security benefits that would take him above the poverty line.

Mr. DAVID. Yes. If he has been regularly in covered employment.

Senator MUSKIE. Would this mean in terms of the minimum number of quarters to be eligible?

Mr. DAVID. No, I mean more or less regularly. No, not the minimum number of quarters. The minimum number would have meant that the worker was in covered employment one-fourth of the time or less.

Senator MUSKIE. So, when you say regularly employed, over how long a period?

Mr. DAVID. I mean regularly over the period for which we figure his average wage—essentially over his working lifetime.

Senator MUSKIE. What is the period now used to figure the average wage?

Mr. DAVID. We figure it on the basis of the earnings over the period after 1950 and up to the year of his attainment of age 65, age 62 for a woman, minus 5 years of low or zero earnings.

So, right now in 1970, for a man reaching age 65 this year, we figure his average over his best 14 years, 19 years minus 5.

#### INFLATIONARY IMPACT ON SOCIAL SECURITY

Senator MUSKIE. So if the wage levels in his kind of employment have not responded to the rising costs of living, inflationary period, he is penalized?

Mr. DAVID. Yes, the system is geared to pay benefits as a replacement of wages, or wages lost—it is thought of as an insurance against loss of wages and benefits are geared to wage levels. If his wages have been low, he gets a low social security benefit.

So, part of the problem is that where people have been getting low wages and had sporadic, irregular employment, as particularly

in some sections of the country where it has been very hard for a long period of time to maintain employment, there is a problem. You might raise the question whether that is a problem that ought to be dealt with entirely through the social security system or if it is also a problem that needs attention in other ways.

Senator MUSKIE. That ought to be explored, I would think. What it means is that workers in highly organized industries, with effective union representation, as they are able to negotiate better wages reflecting the pressures of inflation, they also derive benefits from social security that are not available so that people in less viable industries or in less viable areas of the country are penalized relatively.

So that if social security benefits don't rise, they get penalized in two ways: Not only the inadequacy of the benefits overall, but the fact that they have not been in industry where their wage levels have risen or responded to the inflationary pressures in a way that would raise their social security benefits under the existing benefit levels.

Mr. DAVID. I am not sure that they are penalized by reason of the fact that others had the advantage of wages that were kept up to date.

Senator MUSKIE. They are under another limitation then.

Mr. DAVID. They are not hurt by reason of the adequacy of someone else's wages. There is no connection between one and the other.

Senator MUSKIE. That is a legitimate correction. But, nevertheless, this is a difference in their circumstance which bears upon the adequacy of the social security benefits.

Mr. DAVID. Yes. We do have a great many problems resulting from people having low wages and irregular employment and various other disadvantages, and not all of them it can be, it seems to me, dealt with through the social security system.

Senator MUSKIE. Thank you very much.

The CHAIRMAN. We do have members of the task force who have contributed so much to the year-long study and I wonder if any of you folks at this time have anything to ask of Mr. Martin.

#### ICING ON THE RETIREMENT CAKE

Mr. MILLER. Mr. Chairman, I have one question relating to a statement on page 16 of Secretary Finch's statement, which is very pertinent to the comments you have just been making, Mr. David.

For many of them the small minimum social security benefit is merely an extra layer of icing on their retirement cake.

I think this relates to what you have just been discussing in part. Could you give us any data as to the numbers of these people to which this statement might be applicable, the proportions that are receiving the minimum social security benefits?

Mr. DAVID (reading) :

And who also have substantial retirement income from other sources such as investments, private pensions and annuities based on public employment.

I am not able to come up with any figures right here.

The number who are receiving annuities based on public employment, like Federal employees and state and local, and who are also



receiving minimum social security benefits, is relatively small. Also, the number who are receiving private pensions must be relatively small because those people would be generally in covered employment quite regularly. They work for employers who would pay on the whole rather above the average wages. Also, very large number are receiving substantial income from investment.

So that all in all, you have a variety of groups who have income from these other sources. How much they add up to, I don't know.

I should say, though, that it is clearly part of the purpose and I think we would all agree it is a desirable thing that the social security payments to a person who receives income from investments or from private pension plans is to be considered as a basic part of his retirement income and that, for instance, if he has social security and a private pension plan, the private pension plan has been set up in recognition of the fact that he has social security.

So that relationship seems entirely reasonable and it also seems a good thing that where he has income from investments, it does not have any effect on the social security payments. The social security payments do not therefore tend to discourage a person from saving or investing.

Mr. MILLER. In your earlier statement, you indicated there was a relatively small number of people drawing minimum social security benefits in proportion to the total number of social security benefits, if I understood correctly.

#### APPROXIMATELY 11 PERCENT RECEIVE MINIMUM BENEFITS

Do I understand that correctly?

Mr. DAVID. Yes, of the total drawing social security benefits, including women, children and disabled and all, it is I think, a little bit more than 10 percent, yes; maybe 11 or 12 percent who are drawing benefits based on the minimum primary insurance amount.

Mr. MILLER. And you have a relatively small percentage that you have just indicated for whom that might be a small number for whom this might be an icing on the cake?

Mr. DAVID. I would think that when you add them all up, that is the Federal and the State and local people drawing the minimum, it is not a very large number there.

Mr. SHEPPARD. I have a lot of questions that might lead to a long seminar discussion. I know there are other witnesses, but this last remark by Mr. David prompts me to either observe or ask that if there is such a small number what is the fuss all about when we ask to raise their level above the level of poverty.

Sometimes we get the logic, "It is not a big number, so don't worry about it. If it is a big number we should worry about it."

But it is a rhetorical question. If there is a small number why can't we go ahead and give them the extra money that would raise them above the level of poverty?

Mr. DAVID. I would say, Mr. Chairman, that I don't know what is meant by the "big fuss". I hadn't been aware that there was a big fuss. But surely I think it is true that the number who are receiving the minimum benefit and are also receiving a substantial retirement payment under another system, such as the Federal employees sys-

tem, which is not geared to social security or a State and local system where those are not so geared, is not a large number so that in itself would not be a reason for objecting to a substantial increase in the social security minimum benefit.

I think the real point is that the social security system is set up to do a job of insuring against loss of earned income for the whole working population. And it pays a benefit that is geared to average earnings, which is a way of insuring against loss of earnings. And there is a question about how much further should it go and how far should it go in the direction of undertaking to do something which is slightly different from its basic purpose of replacing lost earnings.

How far should it go in attempting to do something like maintain a subsistence or some decent standard of living? How far should it go in trying to maintain a decent standard of living irrespective of, and unrelated to, the amount of earnings that the person had before he was retired or became disabled?

I would think it is entirely justifiable to go considerably beyond a simple replacement of his previous earnings, even as we do now for some. But the question is how far in that direction should you go? How far should you distort this wage-related system in order to make it like a system which is a welfare system and is intended to pay an amount sufficient to bring people up to a given level of living?

The only thing that I would say might be considered to be a fuss is that there would be some people will feel that you can go too far and pay an amount which is way above previous average wages, and thereby use your resources less efficiently, and less effectively, than if you paid a more reasonably wage related benefit to everyone across the board.

If you go too far and spend too much of your resources on raising the minimum, you simply have that much less available to do an effective job in old-age insurance and disability insurance for the great bulk of the working population.

You just don't have enough left, to do it or else you have to raise the contributions in order to do it. That is where the crunch comes. Do you want to go this far in a system which is contributory and depends on contributions paid by the worker, a flat rate paid by everybody, not a progressive tax? How far do you want to go in using that kind of financing to pay benefits far above their previous earnings?

It is a policy question that I don't need to offer my own answer to. I think that there is a good deal to be said in favor of not going too far and doing something which would be at the expense of what is new a good and effective replacement of lost earnings for the great bulk of the working population.

Mr. SHEPPARD. You have exhausted me. That is what I meant by I didn't want to go into a long seminar question and I didn't mean the question to apply only to using the social security system in terms of its original purpose.

I am sorry it got down to a recapitulation of the original purpose of the social security system, insurance against loss of wages.

I am sorry to prolong the seminar discussion, Senator.

Mr. DAVID. If he is sorry, I guess I have to be sorry, too.

## LITTLE INFLATION FROM INCREASING SOCIAL SECURITY

Mr. SCHULZ. Senator, if I might make one comment in regard to Senator Muskie's concern. As an economist, I am a bit concerned about saying that it is impossible to give adequate social security benefits to older people because of the threat of inflation.

As an economist I am compelled to indicate at this point in the hearings that of all the Federal expenditures that are made, social security expenditures are somewhat unique in the way the expenditures are financed. Increased benefits are nearly always matched by increased contributions from the working population. Thus, buying power is transferred from one group in the economy to another.

So that in the long run, overall, there is little or no net expansionary effect in the economy from an increase in social security benefits. All that is required is for the Congress to be aware of the fiscal situation and to make sure that the proper timing of the increases in the revenues are compatible with the existing fiscal situation.

It seems to me that Mr. Cruikshank in his original paper focused on what the real problem is. You have to convince the worker that these are justified and necessary increases in the payroll tax. I think that is a very serious problem. But I don't think that the major limitation to higher benefits is the problem of inflation. It is the problem of educating the worker and of making appropriate political judgments.

The CHAIRMAN. Mr. Martin, I think this concludes our session. We certainly appreciate the cooperation we have had from you and the Department during this whole year of study.

Gentlemen, thank you.

(Subsequent to the hearing the chairman wrote the following letter to Commissioner John B. Martin:)

DEAR COMMISSIONER MARTIN: Several questions have occurred to me in connection with services now provided under our Old Age Assistance program, in comparison to the provisions of services under the proposed Family Assistance Program. May I ask for answers to the following questions for inclusion in the record of the hearing conducted on May 6 \* \* \*.

(The following reply was received:)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
SOCIAL AND REHABILITATION SERVICE,  
Washington, D.C., July 23, 1970.

Dear Mr. Chairman: To obtain the most authoritative answers to the questions presented in your letter to me of May 16, I referred your questions to Commissioner Stephen P. Simonds of the Community Services Administration, Social and Rehabilitation Service. Enclosed is his response.

Sincerely,

JOHN B. MARTIN,  
Commissioner.

[Enclosure]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,  
SOCIAL AND REHABILITATION SERVICE,  
COMMUNITY SERVICES ADMINISTRATION,  
June 2, 1970.

Subject: Proposed Family Assistance Program.

To: John B. Martin, Commissioner, Administration on Aging.

In response to Senator Williams' questions the following answers should be given:

1. *Dean Schottland in testimony before this Committee last year recommended that services for older people should be available to anyone who*

*needed the service and not just those with a need for income. Do you agree and, if so, what is being done to make services available to all who need them?*

Answer. Yes. We couldn't agree more.

The 1962 Social Service Amendments provided that social services could be made available to former or potential recipients of assistance; that is, to those who requested service and whose personal social and economic circumstances were such as to indicate that within 5 years they might have to apply for assistance. This gave States an opportunity to extend their program beyond the categorical recipient group if they so wished. Unfortunately just 11 States elected to provide services to former or potential recipients.

New Social Services legislation, presently under consideration would remove categorical relationships entirely. Eligibility for services would be based on a need for service such as information, protective services, homemaker services, which would be freely provided to those unable to pay for such services. For others, whose economic status would allow it, such services could be provided on a fee basis.

The basic social services would be furnished by a public service agency as the principal provider. This agency could contract for social services for older clients from other private social agencies as needed.

Some of the social services which are provided under the Act include information and referral services, protective services and services to blind and disabled recipients with potentials for self-support. This reflects the emphasis placed, up to the present, on the protection of the aged; handling crisis situations, securing living accommodations, which were institutional as well as community based and services in relation to health care.

The new social service legislation will emphasize prevention. Homemaker Services, Foster Care and In-home Services are fast-developing to meet current needs of the elderly for in-home services.

Also, the new service approach will be aimed at providing the aged opportunities for a useful, productive, contributive life. We are searching for ways of matching the ability of older people with skills with others, in and out of the program, who need help which such individuals can thus provide. We will be drawing upon the experience developed over the last few years in experimental and demonstration projects under Section 1115 of the Social Security Act and under Titles III and IV of the Older Americans Act.

*2. We understand that consideration is now being given to the possibility of modifying the social services program by a closed-end appropriation. How will this affect the program?*

Answer. It would mean that some States would be slower to initiate new programs. The 38 States and other areas now providing social services will have to determine what money they have for services overall and where it is now going and will have to set priorities. In particular, the closed-end appropriation would limit the States' opportunities for the purchase of services. Thus the development of private and voluntary services could not be expanded to the extent we should desire.

The new social services legislation, presently under consideration would require a balanced program of social services. We would expect this to mean that there would be, at least, some *basic services* for the aged in all States.

*3. Why aren't social services to the aged mandatory since Title XIX as a whole is mandatory?*

Answer. In the enactment of the 1965 Amendments to the Social Security Act, it was recognized that social services might be needed to achieve the maximum benefits of medical care and services under Title XIX. It was felt, however, that States could use the service provisions of the respective public assistance titles. Since the provision of services under Titles I, X, XIV (or XVI) by law is optional with the States, these cannot be mandatory under the present Social Security Act, including Title XIX.

As indicated above the new social services legislation, as proposed, would provide that some level of services for the aged would be required. This is the basis for the "balanced approach" in the legislation now under consideration.

If this legislation is not submitted as an amendment to the FAP legislation then we would be inclined to give serious consideration to another approach; namely, to provide for such a requirement through an amendment to the existing Social Security Act. This requirement would ensure that all States give at least basic services to the aged and handicapped in the program.

4. In view of the fact that responsibility for providing technical assistance in the social service program has now been delegated to the Regions, how does the Community Services Administration plan to implement its role?

Answer. The Community Services Administration is still responsible at the national level for carrying out a policy and program development role. CAS will have a planning and implementing role and responsibility which will complement and will supplement the SRS Regional Office responsibility to provide technical assistance to the States.

This responsibility will be carried out in two ways. First, a model service system will be developed. This system has four purposes:

(1) To develop guides and criteria for States which are separating the eligibility (money payment) from the service (social services) functions in carrying out their programs,

(2) To develop a service component in the Family Assistance Plan,

(3) To develop a new service delivery approach—this approach means that the CSA, directly and through contract arrangements, will develop, test, and install, where feasible and suitable, such models in States. Such models include community social service centers, for example. These models also call for operational plans setting forth achievement of objectives for the year in areas of housing, health, nutrition, discharges from institutions, protective services, etc. Technical assistance in helping the States to adapt some prototypes will probably be necessary and will be provided by the CSA in concert with Regional Offices, and

(4) To develop an information system and reporting requirement which will show what services are provided, and, hopefully, the results to be achieved in improving individual and social functioning of aged persons served by the program.

Second, the CSA through its Division of Services to the Aged and Handicapped is planning a variety of studies of case practice and experimental demonstrations (in some cases jointly with States) which, by identifying lacks and gaps and in evaluating performance, will help States to improve their current program and suggest new ways to develop and expand their existing program.

By way of illustration there is attached, in summary form, a description of two demonstration projects carried out under Section 1115 of the Social Security Act. These projects, one on protective services for the elderly and one on foster family care for adults, have produced some findings which we believe may be useful to States.

STEPHEN P. SIMONDS,  
*Commissioner.*

#### Attachment 1

#### PROTECTIVE SERVICES PROJECT FOR THE ELDERLY

This 3-year demonstration project was initiated in July 1969 under the direct supervision of Federal staff; has been carried out in two locations—Washington, D.C., and in 3 rural counties in Colorado (Weld, Morgan and Logan).

The purpose of this experimental demonstration project was to demonstrate the value of a multi-disciplinary service team (over a single worker) in the provision of a range of social services (with preventive, supportive and surrogate aspects) to current, former and potential recipients of public assistance.

The team composition consists of caseworkers, homemakers and case aides acting under professional direction. This project was carried out by the local Department of Public Welfare in each of the localities involved.

There were two innovative features of this project. One feature was to provide professional consultation from an internist, a psychiatrist and a lawyer to the "team" members on an "as needed" basis. Another feature was to provide the team with a "supplementary" financial assistance fund, in which they could draw, as needed, to meet extraordinary expenses associated with the provision of protection to the aged, blind and disabled clients.

Preliminary findings from almost 1500 cases involved in the project indicated that the project created a focal point in the community for all the aged needing protective services; increased the coverage to include persons not on public assistance; expanded the range of services provided to client; and gave visibility to unmet needs. The project staff also acted as advocates on behalf of clients who were unable to act in their own behalf in seeking needed services.

## Attachment 2

## FOSTER CARE PROGRAM FOR ADULTS

This project was initiated in July 1967 by the Winnebago County Department of Social Services (Oshkosh, Wisconsin).

The purpose of this project was to establish a Foster Care program for selected adults served by the public assistance program. These individuals for the most part, were referred to the Department from the State Mental Hospital system. A limited number of others come from the regular caseload.

Approximately 100 persons have been served by the project. The project involved the recruitment and selection of foster care homes, including the development of criteria for selection and the placement and supervision of aged, blind and disabled adults in such settings.

The project staff is composed of a Director and 3 professional assistants plus secretarial support. One assistant is responsible for recruitment of sponsors; one for evaluation of the foster home and the foster family; one for evaluation of group foster homes.

Some of the innovative aspects include: Experimentation with "group" foster homes for such selected clientele. Such group foster homes serve from 3 to 8 persons. Another aspect is the use of incentive payments. Payment depends on the amount and quantity of services rendered. The range is \$110 to \$150 per month. Another aspect is the development of specific criteria in relation to client and sponsor selection; criteria for evaluation of the foster home in relation to certification and licensure and criteria to be used in "matching" the client and the sponsor.

The CHAIRMAN. Senator Muskie?

Senator MUSKIE. Mr. Chairman, I have a prepared statement. I am going to put it in the record because there are other witnesses here and they ought to be heard.

This statement summarizes some conclusions that we have reached as a result of 2 days of hearings that were conducted last July on the health aspect of the economics of aging. They are two excellent days of hearings. I commend the report of the hearings to the full committee for its consideration and I would like at this time to express my appreciation to four people from outside who helped us, Mrs. Agnes Brewster, Dr. S. J. Axelrod, Melvin A. Glaser, director of the social security department in the United Auto Workers and Bert Seidman, Director of the Department of Social Security, AFL-CIO.

I think this statement does in relatively brief terms, as Senatorial statements go, suggest some interesting conclusions that I would hope it would not require my reading to bring to the attention of the committee.

The CHAIRMAN. Without objection, it will be included in the record.

(The prepared statement follows:)

## PREPARED STATEMENT OF SENATOR EDMUND S. MUSKIE

Mr. Chairman, the Senate Special Committee on Aging today begins the final day of hearings in its study of "The Economics of Aging."

That study began well over a year ago. I think that all members of the Committee can take some satisfaction from the extensive and effective work performed by the Committee and several of its subcommittees in conjunction with the inquiry.

The hearings provided much of the evidence used by members of the Congress in assessing the need for the 15 per cent increase of Social Security benefits enacted last December. The Committee will suggest other important avenues for action in its final report.

As chairman of The Subcommittee on Health, I conducted two days of hearings last July on "Health Aspects of the Economics of Aging."

The need for such specialized attention became readily apparent as one witness after another discussed the economic impact of medical care problems upon the elderly.

True, this nation has Medicare. And that program has served millions of Americans well during its first few years.

#### SERIOUS LIMITATIONS IN MEDICARE

But, as our testimony made abundantly clear, Medicare has serious limitations.

It covers less than 50 per cent of all medical costs of the elderly.

Its deductibles and coinsurance impose heavy burdens upon those most in need of help.

It does not cover out-of-hospital prescription drugs yet prescription expenses for the elderly with severe chronic conditions are over six times greater than the expenses for younger people.

Medicare must be recognized for what it basically is—an inpatient hospital program.

It is still difficult—and expensive—for older persons to receive high quality health services and supplies, except during and immediately after hospitalization. In fact, the program has been accused of driving older persons into expensive hospitalization unnecessarily.

Under medicare, in order to qualify for extended care, one must first spend at least 3 days in a hospital for an "acute episode of illness." Due to the lack of extended care facilities—and their high cost—the "acute episode" may extend to days and weeks before a facility can be found for the patient. One hospital administrator told the subcommittee that during the month of June 1969, his hospital had an extra \$60,000 of "day delays" to get into extended care facilities. He put it very bluntly when he said: "This is as much as half a million dollars a year that could have been saved the taxpayers if we could have gone directly to nursing homes."

The need for alternatives to hospital care—the most expensive form of health care—is urgent. The development of home health services, household aide programs, outpatient facilities and extended care facilities could act as a deterrent to unnecessary hospitalization and runaway costs.

#### DEFICIENCIES IN MEDICAID

Turning to Medicaid, our witnesses found serious deficiencies in that program, also.

Medicaid was enacted because Congress recognized that access to quality health care is a right—rather than a privilege—which should be available to all Americans, regardless of ability to pay. The program was also designed to complement medicare coverage for the elderly.

There is however, a discrepancy between what has been described as a "right" and what has actually been experienced under the Medicaid Program.

For example, the program varies greatly among the participating States in range of services offered, in eligibility for benefits, and in the availability and accessibility of services. Some States meet only the minimum Federal requirements while others have programs that are much broader in scope. The result is 50 separate and distinct medical assistance programs—each one different in design, persons covered, and services offered.

With such widely varying degrees of State acceptance, the program can hardly be expected to complement medicare coverage. Thus, after exhausting Medicare benefits, many elderly individuals find that Medicaid fails to do the job.

The cost of Medicaid has risen beyond any expectations. And, recent cost-savings measures by certain States, such as coinsurance programs and barring the medically indigent who are not receiving Public Welfare grants, have the self-defeating—and ultimately expensive—result of driving large numbers of older Americans onto Welfare rolls for cash assistance as they struggle to meet health care bills.

Medicaid is being administered not as a health care or a medical care program, but as a payments program, for a limited number of medical services. It has become clear that the program cannot continue effectively on this basis. As one eminent physician testified before the Subcommittee on Health of the Elderly, the emphasis of Medicaid should be on "comprehensive diagnostic work-ups with intensive therapeutic measures to be instituted where necessary."

I think we can all agree that Medicare and Medicaid are in need of reform. We should tighten administrative procedures, institute cost controls and protect against exploitation by users and providers of services. However, as we effect these reforms, we must not retreat from the fundamental purposes of the programs. Despite their faults, Medicare and Medicaid have helped millions of older Americans and have focused attention on long-standing deficiencies in health care.

We need to reaffirm our commitment to high-quality medical care for all Americans. The reform of Medicare and Medicaid is an essential step toward that goal.

Mr. Chairman, the subcommittee hearings on "Health Aspects of the Economics of Aging" were preceded by the publication of an excellent working paper prepared by:

Mrs. Agnes W. Brewster, Consultant on Medical Economics,  
S. J. Axelrod, M.D., Director, Bureau of Public Health University of Michigan,

Melvin A. Glasser, Director, Social Security Department, United Auto Workers,

Bert Seidman, Director, Department of Social Security, AFL-CIO.

#### RECOMMENDATIONS IN HEALTH ASPECTS STUDY

I will submit for this record the major recommendations made in that study, not to offer a definitive program, but to suggest that these proposals be given consideration in the final report of our committee study:

Inclusion of other services and supplies not now covered by Medicare, particularly those drugs important to the treatment of chronic disease.

Elimination of deductible and co-insurance features of both Parts A and B of Medicare.

Elimination of the 3-days-in-hospital requirement for admission to extended care facilities.

Requirement for physicians to accept assignment of benefits under Medicare.

Requirement that only qualified surgeons be allowed to perform operations.

Greater consumer participation in the decision-making process under Medicare and Medicaid.

In conclusion, I would like to remind the members of the Committee that raising retirement income would not necessarily resolve all problems related to the Economics of Aging.

Inflation in medical care costs can steal the dollars put there by increased Social Security benefits.

Unavailability of appropriate medical care can cost countless dollars to individuals and to the Government by forcing Americans into needless hospitalization.

The great gaps in health protection for Americans of 64 years and older still raise the spectre of financial disaster at any time. We must do more to protect retirement income by solving the persistent problems related to medical care in this nation.

The CHAIRMAN. We will proceed now with Mr. Thomas Walters, President of the National Association of Retired Civil Employees.

#### STATEMENT OF THOMAS WALTERS, PRESIDENT, NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES

Mr. WALTERS. I am Thomas Walters, President of the National Association of Retired Civil Employees.

Mr. Chairman, with your permission I would like to file a statement that was prepared by our Vice President, Mr. O. G. Burk, who has been working very closely with this committee during the past two years and make a few comments that pertain in particular to federal retirees.

(The prepared statement of Othie G. Burk follows:)

#### PREPARED STATEMENT OF OTHIE G. BURK, VICE PRESIDENT, NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES

Mr. Chairman and members of the committee: I am Othie G. Burk, Vice President of the National Association of Retired Civil Employees. Our mem-



bership is composed exclusively of persons retired from civilian employment of the Federal Government or of the District of Columbia, and their survivors. Today I speak in behalf of our 133,000 members, and also as the only voice deeply concerned with the welfare of more than 800,000 other Federal retirees or survivors, many of whom cannot afford even our meager dues of \$4.00 per year. I appreciate the courtesies you have extended to me in earlier hearings, and sincerely thank you for the opportunity to make this statement today.

I see no need of reviewing former hearings before this Committee. Only two points seem pertinent at this time. In opening statements at other hearings by members of this Committee it has been stated that more than forty percent of the older Americans exist on incomes below the poverty level. Senator Williams said in one of his opening statements that many of the older Americans living in poverty today did not become poor until they retired. He did not reach that conclusion overnight. This Committee has conducted hearings on many subjects which are a part of the problems of the Economics of Aging. The one problem common to all hearings seems to have been one of the first mentioned, that is an inadequate income. It is not a situation that is likely to improve with a rapidly expanding cost of living. Even though the Congress has granted to Federal retirees the escalation clause in present retirement laws, it does not solve the problem for the low income retiree or survivor. Percentages applied to very low basic annuities give very little increase. I cannot hope to give you answers to these problems; I do hope some of the suggestions made later will be some help to you.

#### FEDERAL RETIREE TREATED LIKE A "STEP-CHILD"

I submit to you Gentlemen, the older Federal retiree is treated like the step-child of a vicious step-mother. And this has been true during most of his life. He worked for very low wages over an extended period of time. He worked from 48 to 56 hours a week; not the 40 hour week that is now prevalent. If he happened to work over-time hours, the hourly pay was less than his pay for regular hours. And the retirement laws first limited him to \$60 per month, later raised to \$100 per month, as compared to those retiring today on the more liberal formula. Over the years when changes have been made, they were hardly ever retroactive; always only for those retiring in the future.

When one Department of the Government states a certain amount of money is necessary for a Retired Couple, in good health, with a mortgage-free home, to live at a moderate Standard of Living, it seems to be ignored. Too often the final bills on which the Congress may vote have been cut down because of budget considerations. The problems of human beings are dismissed as being of lesser importance. Earnings permitted to a retired Federal worker who tries to use Retirement Income Credit, or to one who receives Social Security are so low as to approach the ridiculous. They do not approach the published figures of incomes needed for a moderate standard of living. Many times, they are about half of that necessary for a low standard of living.

It is no surprise that many Older Americans are asking, "What did the Older Americans Act do for me?". And it is no surprise they are saying, "This is a lot more of talk, but it is just hot air. I am getting disgusted with all this talk. I want some relief."

Sometimes when talking with the low income retiree, I can see where Tolstoy came up with the idea when he said, "Yes, we will do anything for the poor man, everything except to get off his back".

#### RECOMMENDATIONS

If the Government of this Great Country is to set the example for private industry, they will have to change many things. Among them would be:

1. Tie the retirement pay to the wage scale in some way.
2. Set a realistic minimum annuity so none would live in poverty after retirement.
3. Be consistent in policy.
  - a. If Civil Service may compute the annuity on the high-3 years, why must others use all years after 1951 or 1956?
  - b. If the widow of one receiving Social Security needs 82½ to 100 percent of the employee's retirement income, the widow of the Civil Service annuitant needs the same percentage.

- c. If Social Security and Railroad Retirement is tax free, any other Federal retirement system should exclude an equal amount.
4. They need to be realistic.

a. If they expect to utilize the talents and expertise of the retired Older American, they will have to quit penalizing him tax-wise for earning a decent wage. Surely this small segment of the Great Society is not all that can be expected to "contribute" their time and their talents.

b. The Congress and the Executive Departments will have to face up to these problems. I read in the papers that at least one of the Departments has persons in the higher income brackets who would have their six percent wage increase go to those in the lower wage scales, in order to bring them more nearly to a living wage. This approach should never be necessary.

c. We need adequate correction of many inequities in the retirement laws. It is not enough that the Congress will correct one little item in each session. They are dealing with human beings; not just with numbers. True, as time goes on more of the oldest will die; perhaps, if we wait long enough, they all will die without ever seeing the problem solved.

I was much impressed with the recent hearing before this Committee concerned with the over-payment of Federal Income taxes by the aged American. It is a real problem as the testimony revealed. The suggestions made by Mr. Richard Block, President of H. & R. Block, Inc., were surprising. I would be remiss if I failed to include an idea to simplify the entire problem of Retirement Income Credit. I would agree that reporting of annuity income on Schedule E for form 1040 may continue to be necessary.

I would suggest that Schedule R of form 1040 be revised something similar to the following example:

*Form 1040, Schedule R, Retirement Income*

Civil service annuity.....	\$3, 300
Military retirement pay.....	2, 000
Social security.....	2, 400
Railroad retirement.....	-----
Private retirement pension.....	-----
Commercial annuity.....	-----
Interest income.....	-----
Dividend income.....	-----
 Total retirement income.....	 7, 700
 Excludable portion.....	 5, 000
 Taxable portion, to form 1040, line 14.....	 2,700

I firmly believe that any older person who is capable, or has ever filled in his tax forms while working, could complete the above form with no problem. It would equalize treatment of all retirement income and save many hours of computation for all concerned, including IRS.

Thanks again, Mr. Chairman, for giving me this opportunity to present my views to this Committee. If you find any of these suggestions useful, I know you will present them to the proper Committees of the Senate for their consideration.

Mr. WALTERS. First of all I would like to express our thanks and appreciation for the long years of service that has been rendered by you as chairman and members of this committee in an effort to assist and bring up the financial situation of the older citizens of our country.

We have more than 800,000 Federal annuitants and their survivors and to my great surprise, before I became national president of this organization, I found that more than 60 percent of all of the annuitants and survivors received less than \$3,000 a year. Of course, they have a cost-of-living escalator clause that has given some 10 or 15 percent increases in the last 2 years and another one looks like it is

coming up the first of August for somewhere around 4½ to 5 percent.

Yet, to these people who are getting \$100 a month and \$110 a month and \$150 a month, 5 percent means very little extra money for those people.

We feel, and we have so recommended to the proper committees in Congress, that there ought to be a flat increase to those people receiving less than \$3,000 a year and then a percentage increase graduated above that. But the people that I am primarily concerned about and it keeps me awake at night, are these people who retired many years ago. To refresh your memory, we have two health plans that these people are under. Those who retired prior to July 1, 1960 are under what I consider a very poor health plan and those that retired since 1960 are under the same plan as you and I and everybody else, the working population, which is a much broader plan and the coverage is much greater and the Government makes a greater contribution to my premiums than they do to those who retired prior to July 1, 1960.

Those retiring prior to July 1, 1960 get \$3.50 an individual or \$7 for a couple, either added to their check or withheld from their annuity depending on the type of plan they have.

It is true that most of these people who retired before July 1, 1960, are eligible for Medicare, but even with Medicare it is not participating—this is a very complicated proposition. Medicare is not one of the qualifying plans. In other words, if the Government adds \$3.50 to an annuity check, the Government would not approve that to go to Medicare.

#### AREAS FOR CHANGE

We are trying to get that amended, trying to get Medicare amended and the Daniels Subcommittee in the House has recommended that Medicare be amended to make it a participating plan.

But what I am trying to emphasize is the number of people who are former Federal employees, who were on low salaries, many of them worked 50 to 60 hours a week before we ever thought about a 40-hour week, and these people who retired under the high formula—many of these people paid 25 percent penalty to name their wife as a beneficiary.

If their wife dies, and they remarry, they cannot provide for the second spouse.

So, there are many, many inequities that somebody needs to give attention to of former Federal employees of yesterday. This law of the second spouse is on the law books today. If my wife should pass away and I remarried, I couldn't name my second spouse as a beneficiary, yet, I would continue to take the reduction as long as I live in my annuity check.

Of course, under the present day formula, it is 2.5 percent, up to \$3,600, and then 10 percent. But up to about 1956 these people had to pay a tremendous penalty to provide for their spouse and if the spouse dies, they continue to pay that penalty.

So, those are just some of the things that are peculiar to Federal employees and not to other groups.

## 400,000 FEDERAL ANNUITANTS AND SURVIVORS IN POVERTY

So, about 400,000 former employees or their survivors are living in poverty and half of that number get less than \$200 a month for a family.

There are 50,000 that get less than \$100 a month. In many sections of the country, if you receive an annuity check, you are disqualified for any type of welfare programs.

I appeared before a committee and tried to argue that food stamps should be made available on a national scale for former Federal employees and be handled so that they would not be declared disqualified in any section of the country if they received a Government annuity check. It doesn't necessarily matter how much the check is, but if they receive an annuity check in many sections of this country they are ineligible for any type of welfare programs.

Of course, many of our people are somewhat reluctant to ask for welfare. They belong to the old school, so to speak, and these people who retired before 1960, most of them, are up in the 80's now, many of them are up in the 90's, not any of them that I know of particularly are physically able to do any type of work to bring any additional money in.

They do not receive social security. I doubt if there is a handful of them that retired before July 1, 1960 that received any social security.

I realize that many people who are retiring today have been forced under the high cost of living to go out and get other jobs in the last 10, 15 or 20 years, are drawing social security. But the people that worry me are these people who are just almost ready to call the undertaker and nobody seems to be doing too much for them now.

I was quite disappointed to be frank about it and I so told the committee on the House side, when they recommended to the full committee amendments to the Federal employee health program and gave these people no additional money and it provides a 50-50 formula for you and I and others who retired since July 1, 1960, and I think Congress is in the humor to pass something like a 50-50 formula.

But we are not, in my opinion, doing anything particularly for these people who are almost helpless. There are some 180,000 as of last July, that are in this category which have a health plan. There are some 200,000 who never did take advantage of this little \$3.50 because in many letters they stated they just didn't have the extra dollars to pay the remainder of the premium.

I was at the Civil Service Commission and helped initiate this program and was there for 6 years. This program was always looked upon as sort of a byproduct and the Federal employee program that covered the active as well as the retired people since July of 1960 was the big program that everybody talked about but nobody talked about these little people who are getting less every year in number and getting older every year.

Ten years from now, according to life expectancy, there won't be a handful of these people living. But they are dying in many instances, in my opinion, for the lack of attention, for the lack of

proper food, because they don't have the money and lack proper medical attention.

Those are the things that are very near and dear to my heart. I am sure, knowing you gentlemen, it is very near and dear to your hearts. Some of these things attempted to be enumerated in this statement, especially on page three, but with that, Mr. Chairman, I would be happy to attempt to answer any questions.

I would like to say for the record that I am sure that all of us who are enjoying retirement appreciate the fact that this is the 50th anniversary of the enactment of the Federal Retirement Law in 1920. I think it is the best fringe benefit we have, especially for people of today. But my whole concern and my whole desire is to try to do something for this so-called 170,000 who are getting less every day and older every day to do something to make their last days a little more livable, and a little more pleasant.

I think loneliness is killing more people than any other disease in the world. Doctors tell me that loneliness will bring on everything, hypertension, nervousness, ulcers, high blood pressure, heart conditions. And these people who live in four walls, most of them live alone, most of them I find in the cities living in two and three story flats with no elevators, and it is a pitiful sight. I have visited many of them in the last 2 years. It makes your heart bleed to do this, and I think we all should do it.

And I know of some of the desires of you people to do things.

And with that, I will close, unless you have some questions to ask.

The CHAIRMAN. Thank you very much, Mr. Walters.

Mrs. BREWSTER. As you probably remember, I had something to do—

Mr. WALTERS. I remember you now. You were right up here fighting the battle of hospitalization in those days.

Mrs. BREWSTER. And the Senate Post Office and Civil Service Committee did try to do the right thing by the older retirees. It was elsewhere that that got changed. It was administration policy and it was in the House.

But I think you have done us a real service today to call attention to that fact. I think it is particularly bitter at this moment that we are considering this plight just when in another part of town they are celebrating the five millionth member of the Blue Cross-Blue Shield Federal employees at a luncheon today. Because here are these people, as you say, that have got a very poor shake and a very poor plan.

Mr. WALTERS. For your information, I was with Charley Massie the other day and he asked about you and asked me to give you his regards.

Mrs. BREWSTER. That is another Federal hospital plan that we were very much interested in at the time.

#### MERGE CIVIL SERVICE AND SOCIAL SECURITY SYSTEMS

Miss McCAMMAN. Over the years there have been many proposals for coordinating or integrating the Federal Civil Service system

with the social security system. Has the National Association of Retired Civil Employees any position on these types of proposals?

Mr. WALTERS. Not on that particular type. We do have a very definite position and I so expressed it to the House Post Office and Civil Service Committee. We think it is time to merge these two so-called Federal employee plans, Public Law 86-724 and Public Law 86-382 because the people under 724 are getting less in number and older.

There is some sentiment in the House committee to merge these two plans.

When I was with the AFGE and other groups, we were opposed—I am talking about yesterday—to what you just remarked. I don't think here is much opposed to it today as there were 10 years ago.

I don't think it behooves a retired organization to make a statement on that particular issue.

Miss McCAMMAN. Except that that is where your future constituency is.

Mr. WALTERS. That is true, but we have also got to cooperate with these active employee groups to try to get better health plans and so on.

Miss McCAMMAN. Thank you.

The CHAIRMAN. Thank you, Mr. Walters.

We have ongoing situations and you have given us a lot to think about.

Mr. WALTERS. I tell folks that I don't mind getting these mean letters from active people, but when you get these letters from people that say:

The doctor will see me every day and he will give me four more perscriptions to go with that 12 I already have. If that don't keep you awake, you had better go see the preacher or doctor or somebody.

The CHAIRMAN. Our next witness is William Fitch, executive director, national council on the aging.

You are back at the same stand.

#### STATEMENT OF WILLIAM C. FITCH, EXECUTIVE DIRECTOR, NATIONAL COUNCIL ON THE AGING

Mr. FITCH. I am back home again.

The CHAIRMAN. We are delighted to have you with us again.

Mr. FITCH. This is a relatively brief statement. So perhaps I should read it.

The CHAIRMAN. I am going to have to leave. I will be here through your statement. I might turn you over to the tender mercies of our task force members here.

Mr. FITCH. They are very able and I wouldn't mind being at their mercy. I am really beholdng to them for having done such a grand job on the original document on the economics of aging.

I do welcome this opportunity to appear again before your committee and I would like to also commend the committee for the outstanding service you have rendered on behalf of the elderly and for the excellent hearings and the reports that have been prepared and issued by you and your staff. They have become basic documents for

the study and action to all levels concerned with the economics of aging.

The latest working paper on "The Stake of Today's Workers in Retirement Security" prepared by Nelson Cruikshank is another fine contribution toward a long-range look at the retirement income crisis.

Before reacting to the content of the study—I would like to join with Mr. Cruikshank and include myself among those who fall into the category of "expansionists" as defined by the Chief Actuary of the Social Security Administration.

My background includes almost 19 years of responsible background in the Social Security Administration. It is inconceivable to me that the social security program should not be updated and bear some relationship to the needs of retired persons and the expanding economy. The findings of your committee and the findings in those studies conducted by the national council on the aging document the inadequacy of the social security program and the urgency for corrective action.

I have just left the national conference of government and voluntary agencies sponsored by the national council on the aging under a contract with the Office of Economic Opportunity. In this meeting, some 400 national, State and local leaders are defining, "Goals for the 1970's" with a special emphasis on coordinating activities to reduce poverty of the elderly.

Cosponsored by the Administration on Aging, the American Public Welfare Association, the Government of the District of Columbia, the National Association of State Executives on Aging, and the National Urban Coalition, the delegates have made this an action conference, determined that it is long since past the hour when we must put words into achievements.

The thrust of the conference has been centered around such topics as: "Action for the 1970's—Priorities and How To Achieve Them?"; "Institutional Change—A Must"; Fragmentation and Duplication of Existing Services"; "Institutional Change—Whose Responsibility?"; "Achieving Income Adequacy for the Older Poor"; and "The Involvement of the Elderly Poor."

Workshops in depth were conducted on consumer needs, health needs, housing, income maintenance, social welfare and transportation. The quality of the presentations have been surpassed only by some of the hearings conducted by your committee.

Because the findings and recommendations of this conference have such a direct bearing on the economics of aging, I would like to ask permission to have the recommendations and resolutions that are being presented to the conference at 11:15 this morning, included as a part of my testimony.

The CHAIRMAN. They certainly will be. We appreciate that.  
(The recommendations and resolutions follow:)

#### RECOMMENDATIONS

1. Home Repair Service should be made available to all aged homeowners through an amortization and/or subsidy program.
2. We should seek out a variety of sponsors for all kinds of housing including three-generational structures (e.g. : mother-in-law cottages.)

3. In rural areas township housing (i.e.: cluster housing) should be developed for the elderly; it should include complementary services that are needed.

4. There should be a greater development of the Foster-Home concept and increased supportive services in the home to prevent the institutionalizing the elderly unnecessarily. (cf: #2 above)

5. All projects funded under Title III of the Older Americans Act should include maximum feasible participation of the elderly in the planning and operation.

6. NCOA should undertake a study of the HUD guidelines, with a view to recommending modifications, which presently require that a certain percentage of public housing projects for the elderly be devoted to non-elderly.

7. There should be a simplification of forms presently required to have projects funded.

8. A personal advocacy program should be developed with HUD funds to assume responsibility for delivery of services in housing programs.

9. Housing sponsorship should be pursued with all groups for internal care housing and health-related facilities. (cf: #2 & #4 above)

10. Preventive health care structures should be implemented with emphasis on keeping older people functioning in the home. (cf: #2, #3, #4, #9 above)

11. Group practice to meet the comprehensive health and medical needs of the elderly should be established.

12. There should be a greater use of para-professionals in the provision of health services in community based health programs.

13. A massive consumer education program should be instituted to include all aspects of health, medical and nutrition education.

14. Comprehensive social service components should be integrated into all programs for the elderly.

15. Emergency food and medical projects should emphasize special dietary and medical needs of the elderly.

16. NCOA should take the responsibility to work with all other national organizations with interests in the field of aging, and to dedicate themselves to a more activist role in working at local, state and national levels for the achievement of adequate income levels for the elderly. These efforts should include the involvement and the enlistment of support of business, industry and other significant elements of our society.

17. Efforts should be made to involve industry and commerce in making available to older persons needed services and facilities at reduced costs, during low peak hours, as a means of increasing the purchasing power of older people with limited incomes, and as a means of increasing their interests and concerns for older people.

18. While it is acknowledged that services are no substitute for cash, needed services should be developed as "social utilities," broadly available to all elderly.

19. Organizational resources, channels of communication and personnel of voluntary associations such as the League of Women Voters, Chambers of Commerce, etc., should be mobilized to help in the development of adequate income maintenance programs, and in the establishment of needed services under governmental, voluntary and commercial auspices. These resources should be utilized in addition to the volunteer workers available through these organizations for direct service for older persons.

20. In any income maintenance plan there should be a minimum benefit of at least \$1,800 a year for individuals and no less than \$3,000 for couples and \$1,000 per year for each additional dependent.

21. NCOA should set up a Consumer Advisory Committee; at least 50% of the members of this committee should be elderly poor. The committee should concern itself with involving senior citizen's clubs and senior centers in organizing the elderly in non-profit consumer cooperatives controlled by the membership.

22. State OEO offices should have staff assigned to the problems of the aging, especially consumer problems.

23. NCOA should urge the AMA to seek ways of increasing medical personnel including the use of military medics returning to civilian life.

24. Law schools and legal services should focus more on the legal problems of elderly people, especially consumer protective services.



## RESOLUTIONS: BE IT RESOLVED—

1. That the special problems of the elderly concerning development of housing within the purview of HUD be given special consideration and recognition regarding the establishment of guidelines with realistic provisions of elderly housing.

2. That persons sensitive because of background and training to the needs of the elderly be appointed to, and maintained at all levels of HUD operations, particularly in the higher leadership echelons. (cf: #3)

3. That Secretary Romney be congratulated for maintaining his present high level staff concerned with the problems of elderly housing; and that staff of this caliber be maintained and expanded. (cf: #2)

4. That there be an automatic escalation in Social Security benefits and that these should be related to increases in prices and increases in wages.

5. That the Social Security earnings test be eliminated so that older persons can work without loss of benefits.

6. That higher priority should be given to transportation at the 1971 White House Conference on Aging and that discussions be conducted separately on urban, suburban and rural problems.

7. That NCOA should, in preparation for the White House Conference, gather information (about transportation problems) on a regional basis and that this information, together with preliminary recommendations, should have timely distribution and be debated at the Conference.

8. That HUD, AOA and OEO should analyze comparative information from transportation demonstration programs funded by their respective organizations, and publish what is learned and that this should be done within one year.

9. That in its work with the Dept. of Transportation, AOA should press toward giving aging a priority within that agency.

10. That federal agencies should serve to coordinate and produce information on program ideas for transportation, together with funds for implementation, but that all programs should be planned and operated at regional and local levels.

11. That private industry, on the basis of self interest, should join as a partner with social welfare agencies in development of transportation programs.

12. That NCOA further analyze the FIND data in terms of rural, suburban and urban problems, as well as examine the reliability of statistics which appear to show the problems of transportation in a lesser degree than actually exist. (cf: #6)

13. That NCOA, as a means of correcting the massive crisis that, according to President Nixon, exists in health care in this country, go on record supporting a National Health Insurance Plan based on the successful health plans now in operation in most European countries, and that a copy of this resolution be sent to our President and our legislators in the expectation that they will support this resolution.

14. That a national effort be expended to deliver to each elderly person who needs it the daily food required for proper health and that nutrition education be given to all the elderly and that these matters be the special concern of the Senate Ways & Means Committee and of the President of the United States.

15. That food stamp program be administered through the Social Security Administration based upon an income standard and a declaratory statement.

16. That before the convening of the 1971 White House Conference, leaders of all Senior Centers and other retirement organizations involved meet in strategy sessions to develop a coordinated position on programs for the elderly so that the elderly can present a united front and the Conference can become a more effective and meaningful instrument of creative and positive change.

17. Something about Cambodia and reordering priorities.

Mr. FITCH. I would like to read the resolution that was presented at the conference last evening which was endorsed by the entire group:

Whereas there are 400 representatives of public and voluntary agencies concerned with the elderly convened to establish new priorities for the 70's, and

Whereas those individuals explored various ways of meeting the economic needs of the elderly, and

Whereas, those convened, agree and support the basic principle of the Family Assistance Program Income floor for the needy, and

Whereas, we are distressed about the inadequacies of the minimum standard for benefits for the elderly: We therefore

*Resolve*, That we urge the enactment of a minimum income program to provide currently at least \$1800 per year for each older individual and \$3,000 for each older couple, plus \$1,000 for each dependent, and that automatic escalation be included in the program to reflect increased costs of living and improvements resulting from increased productivity; and further

*Resolve*, To express our concern and recommendations to the President and the Congress.

The degree of involvement of the participants in this meeting and the quality of the leadership is unique among conferences. One notable omission belongs in the record.

In spite of the fact that the transportation constitutes one of the major problems for older persons and notwithstanding all of the efforts made to include representation from the Department of Transportation, they apparently did not consider the meeting important enough or this segment of the population significant enough to participate.

I would say that the section concerned with transportation did an outstanding job and the Department of Transportation would have benefited from the exposure. We still propose to make the recommendations available to them for appropriate consideration and action.

#### WHITE HOUSE CONFERENCE ON AGING

There is widespread concern over the repeated expression by the administration that enough has been done or spent on persons over age 60 and the failure to appropriate the funds to implement the legislation that was passed to strengthen and expand programs under the Older Americans Act, and there is a growing restiveness about the success of the White House Conference on Aging in 1971—if adequate funds are not soon made available for the preconference activities that provide the basic conference materials and training. Unless funds are also provided to the States to defray the expenses of delegates, especially the elderly and the elderly poor, this conference will not have met the major objective for which it was convened.

Further—there is some doubt about whether the 1971 Conference will be an echo of the 1961 Conference. I am sure that the testimony supporting the 1971 Conference included many statements that this was not to be “just one more in a series of conferences on aging”, but a major milestone to evaluate progress, review the effectiveness of the major pieces of legislation enacted since 1961, establish priorities, and define responsibilities.

Further, that older persons be widely represented among the delegates to speak in their own behalf.

In Commissioner Martin’s presentation last evening before our conference, he pledged that all of the results of meetings and the expression on the subject of aging would become “grist” for the White House Conference on Aging.

Surely the findings of your committee and the reports prepared on the “Economics of Aging” should receive top priority—and be given

such distribution that they may become the basic documents for meetings at all levels.

Mr. Cruikshank's working paper on the "Stake of Today's Workers in Retirement" could well become the background paper for a section of the White House Conference on Aging. This is the area of greatest concern to retirees and those looking forward to retirement.

Because the problems of employment and retirement have always been given a high priority by the National Council on the Aging, we propose to set up a special committee on income maintenance to include outside organizations, experts in the field and older persons themselves working with our staff to come to grips with the many factors in income maintenance that go beyond the dollar limits.

We hope to be able to make a valuable input into the literature on the subject and be helpful in recommending the necessary action to convert other findings into security and dignity for the older Americans—not only of today, but tomorrow.

Thank you.

#### PREPARATION FOR CONFERENCE

The CHAIRMAN. Thank you very much, Mr. Fitch.

I wonder if we could take a moment to get from you some observations of how these middays of preparation for the White House Conference are going in your judgment. I say the "middays" because if this period, this Conference, and the developing period is to be compared with the last White House Conference, we are just about midway between that period between when it is legislated and authorized and when it is to be.

Am I right on that?

Mr. FITCH. Very much. I am very much concerned. I think because there has not been the clear-cut directives going out to the States up to the present time, I think there has been material that has been in the process. But I think some of the States have gone off and they have held even by name pre-White House Conferences. They have had regional meetings, so-called "Pre-White House Conferences."

I have had a feeling they are spinning their wheels a little bit, because there have not been directives in terms of what the focus of the Conference is going to be, even the sections, task forces that will be named.

I think that this is a very critical time, and I think that unless something happens very soon that the full success of the Conference can't be realized.

And I am not as optimistic as the Commissioner is in terms of the States being able to find the money somewhere to bring the delegates to the Conference.

One of the real weaknesses, one of the great, it seems to me, criticisms for the recent Conference on Food, Health, and Nutrition was the failure to have persons there whom they were talking about, the older people themselves.

I am concerned too that perhaps the States that could least afford to send these people are the ones where we really need to have them represented too. I am not optimistic about State funds becoming available to send delegates to this one.

The CHAIRMAN. I wonder if there is a role for this committee at this time. And one possibility to generate greater attention from Washington to the States might be for this committee to solicit from the various States their judgment of what they essentially need to be full participants in the Conference.

Mr. FITCH. I think this is very timely. I think it would be a real help.

Going around the country I have had the impression that some States may even choose not to participate. They can hold their own conferences and take care of their own problems. But unless there is a little more encouragement, unless there are some fundings from the appropriations for the Conference, I have a feeling we will not have the total participation that we hope to have and need.

I am concerned, too. I looked over the amount of money appropriated for the Conference of 1961. It is true that the direct appropriations were \$2,156,000. But actually there is something like \$3 million that they are anticipating, or at least they felt had been spent by the Federal Government for that.

It seems to me, with all of the escalation in prices, that the amount earmarked for the 1971 Conference doesn't begin to cover what I think it should.

The CHAIRMAN. It should be under that—it was from the importance that the Congress attached to this White House Conference here that the Conference idea was generated, this second Conference, wasn't it?

Mr. FITCH. That is right.

The CHAIRMAN. I think we had better see what we can do to light some fires, because there is an anxiety obviously felt here.

Senator Kennedy had a major role in the legislative development of this conference. I think he expressed—you could feel his anxiety. Certainly the committee feels it.

#### WIDER REPRESENTATION FOR ELDERLY AT CONFERENCE

Mr. FITCH. I think all of us since 1961 and even before then have wished there might have been a wider representation among the older persons themselves. I think all of the major conferences since then have been benefited when we have had people who could speak on their own behalf.

Unless we find some way to have these people to come to the 1971 Conference, again I do not think it will meet the goals we had for it.

The CHAIRMAN. I certainly share your view on that.

This committee, of course, has been guided by the wisdom of going to the people that we are concerned with and for. Our hearings have been all over the country and have emphasized the participation of the older people who surely know what it is all about in terms of their lives, their situations, their needs, and present opportunities.

Mr. FITCH. I do think that maybe we are relating wrong things. But the statement that was referred to, its April 24 statement, that we are already spending more than we should on persons 60 and

over, I think this is one of the most demoralizing things that has been said in the field of aging.

Somehow or other, it seems to document what seems to be a lack of concern and low priority given to programs for older persons.

The CHAIRMAN. Mr. Martin was speaking, and some budget figures were mentioned. I did mention to Senator Muskie—of course, he developed the priority question, too—that the amounts he was talking about are amounts of money that are D-minus in other committees of this Congress. They wouldn't talk about \$3 million. You know what I mean, don't you? There wouldn't be time to discuss the small amount.

I think that we as a committee had better really find out from the States what they need.

Mr. FITCH. Until such a commitment is made on the part of the States, I don't think they will know up until the last which is going to be involved and whether they can find money to support some of these other programs.

I know there are suggestions that there are foundations that might want to support this. I think, in view of the foundation picture at this particular point, I can't imagine they would be too sympathetic toward supporting the White House Conference or helping the Government with its problem.

The CHAIRMAN. Going to the foundations, whenever anybody gets in trouble, they start looking to the foundations.

I had a feeling that there can be little real substantial hope there.

Mr. FITCH. This really sounded like a last resort.

The CHAIRMAN. That is exactly my point.

For the record, are there any questions?

Mr. FITCH. Again, if I might say, I do think the work of your task force and the papers that have come out of the committee, I think this has been the most helpful literature that has come to the attention of those working in the field. And we are grateful to the encouragement that you have given.

Mr. SHEPPARD. You have a National Institute of Industrial Gerontology in the National Council on Aging. I know it because I am chairman of the advisory committee of that institute.

But I am concerned that the financial support for that program is really not directly from Federal Department of Labor funds. But you have to be sought through sort of unused State funds.

And I think the committee ought to be made aware of this, that that type of program which is very important in connection with the long-run implications of the subjects of this hearing, are too tenuous and that it is really not, as I see it—and if I am wrong, I want to be corrected—a regularly financed program from regular departmental funds from the Department of Labor, but have to be sought again through these unused education funds from the separate State agencies.

Am I making myself clear?

Mr. FITCH. Yes. That becomes a very indirect kind of program, even though the basic funding comes from the Department of Labor. It has to be routed through some responsible State agency, and it comes to us in terms of funding our Institute of Gerontology.

I think Dr. Sheppard has made a good point, producing basic terms being used by the employment people for the training and the placement of older workers. This is basic material that is being developed, and yet the funding has to come through this very indirect route.

I think it should be noted for the record that funding for such programs ought to be made directly available instead of having to seek out some willing agency at the State level.

Mr. SHEPPARD. It makes it too gratuitous at the present time.

Mrs. BREWSTER. Did your agency get anywhere with the proposal, or is it a vehicle of this attitude toward the aged, to look at what really were the deterrent effects of the deductible and coinsurance in Medicare?

We had discussions of that, remember?

Mr. FITCH. I think you had discussions. But actually we have not progressed to the point where we have the answers to it.

One of the other things which would be interesting to the committee, we have moved forward in our public policy—again with Dr. Sheppard and Al Abrams from Albany, I will be Cochairman of a public-policy committee, where we will be looking in depth at some of these programs and some of the relationships between some of the existing situations. We are hopeful that we can work closely with the committee and some of the studies and programs that are ongoing.

The CHAIRMAN. Thank you very much, Mr. Fitch. I have to go to a meeting on the study of one particular pension fund. I have to be there 10 minutes ago.

Mr. Oriol, could you preside over the closing formal statements?

Mr. ORIOL. Yes, indeed.

Dr. Schulz will go first. Dr. Kreps cannot be with us today.

#### SUMMARY BY MEMBERS OF ECONOMICS OF AGING TASK FORCE

Panel. Juanita M. Kreps, Ph. D., dean of Women's College, Duke University; James H. Schulz, Ph. D., associate professor of economics, University of New Hampshire; Mrs. Agnes W. Brewster, consultant on medical economics; Harold L. Sheppard, Ph. D., staff social scientist, W. E. Upjohn Institute for Employment Research; and Miss Dorothy McCamman, consultant on the Economics of Aging, Senate Committee on Aging.

#### STATEMENT OF DR. SCHULZ

Dr. SCHULZ. First of all, of course, I want to take this opportunity to say that I greatly appreciate the chance to participate over the past year in this most important series of hearings. Certainly the chairman, Senator Williams, has been most generous in allowing members of the task force to participate fully in the various hearings, in addition to our presenting the initial task force paper.

I have two general observations which I would like to make.

First, the key to economic security for older persons, of course, is an adequate and highly certain income. Much of the discussion throughout the hearings has focused on this question. There seemed

to be almost total agreement that the social security system has done an excellent job of guaranteeing some sort of pension to those entering the retirement years.

#### PRIMITIVE STAGE FOR BENEFIT ADEQUACY

In the area of benefit adequacy, however, the social security system, I would say, is still in a very primitive stage of development. As long as the Congress continues to legislate benefit increases by bits and pieces—that is, 15 percent here and 5 percent there—we will not get very far.

There must be a major rethinking of the social security system and what it is supposed to do. A realistic definition of what is an adequate social security benefit must be adopted by the Congress. A definition of “adequacy” such as was proposed yesterday by the American Association of Retired Persons at 50 percent of preretirement earnings for social security benefits should receive, I believe, serious consideration by the Congress.

Of course, when one proposes major increases in social security benefit levels, the inevitable and necessary question raised is: How are they to be financed?

I favor retaining the present contributory wage-related system of finance, which uses earmarked payroll taxes.

The payroll tax, however, should be set at a level necessary for the contributing worker to attain what I call “pension insurance credit” on an actuarial basis for his own pension.

To the extent that Congress in the past has granted, in effect, retroactive pension credits to persons paying little into the system, I agree with those persons who recommend that such obligations be met out of general revenues. This is an equitable and responsible way of introducing general revenue financing into the system.

#### INADEQUACIES AND INEQUITIES IN PRIVATE PENSIONS AND SOCIAL SECURITY

My second point concerns the inequities in the present social security and private pension systems. Both systems are coming under increasing attack, not only as being inadequate, but as being unfair. I discussed at length the current inequities of private plans during the hearings devoted specifically to such plans. I will not repeat the points I made then, except to again state my belief that the Congress by refusing to deal realistically with the serious income problems of the poorest elderly through the social security system or, as some have proposed, and I support, through a negative income tax system, is partly responsible for the large number of seriously inequitable private plans which we have today.

As for social security, while the most basic and urgent need to help the elderly is for increased benefits, we cannot continue to ignore the inequities and the irrationalities which exist in the system and which are often justified in the name of helping those who need it most.

Of course, I agree that we must immediately reduce poverty among the elderly and other disadvantaged groups in the United

States. But we should do this, and at the same time we should be concerned about the developing of pension systems which are fair to all Americans, poor and nonpoor alike.

#### RETIREMENT TEST

Fortunately, the two goals are not always incompatible. I believe this is true when one talks about developing a more rational and equitable policy regarding the retirement test. It is on this point that I wish to partly take issue with Dr. Pechman, who spoke at an early hearing, with Mr. Cruikshank and Dean Cohen, who spoke earlier in these present hearings, and with the many other experts opposing significant liberalization of the test.

Liberalizing the retirement test has been condemned by many people as a scheme to help people with high incomes, at the expense of those with little income. This, of course, is true if one is talking about complete elimination of the retirement test. It is certainly not true if the retirement test is liberalized to encourage and allow those people with low and moderate incomes to work part time in retirement because of economic or psychological need.

It is now over three decades since the social security system was initiated. Benefits have not yet become adequate in any meaningful sense. They are not, unfortunately, likely to become so in the near future.

Why shouldn't people who are not receiving pensions that fulfill their basic needs be encouraged to seek part-time employment to supplement their pension income without being penalized?

After three decades of unsatisfactory improvement in benefit levels, the argument that the cost of liberalizing the retirement test would be better spent in improving benefit levels becomes a cruel deception upon the American people.

We all know how highly our society values work and industrious people. We see, for example, how carefully our present welfare laws have been constructed in an attempt to deny payments for the slothful. And we hear today arguments in behalf of a new welfare system that emphasizes the work incentives built into that system.

I do not argue that this is necessarily wrong. But I do want to point out most emphatically that this same society which extolls and encourages the virtue of work is the one which often seeks to partly solve the problem of national unemployment by constructing numerous institutional barriers to employment for older workers.

As Dr. Sheppard pointed out in his excellent working paper prepared for this committee, one need not be against retirement to advocate public policy which gives the individual worker choices and alternatives under decent conditions.

The fears and the economic ignorance of the 1930's remain with us today. Some people still believe that opening job opportunities to the elderly reduces the jobs available to younger workers. This is a false doctrine. If there is one lesson to be learned from the new economics of today, it is that the Government, through appropriate monetary and fiscal policy, can stimulate the economic expansion necessary to create jobs for all Americans, young and old, who want to work and who have the necessary skills.



No longer is there any justification for forcing older workers out of the work force, nor is there any justification for discouraging them from supplementing their income by part-time employment. Instead, business and Government should be actively engaged in creating part-time employment opportunities for older persons as a part of efficient production.

The testimony presented yesterday about the Green Thumb program illustrates what can and should be done. Once we fully reject various false economic doctrines currently accepted on faith by many people, we can then develop more rational public policy for the elderly.

#### ADEQUACY TEST

I would like to propose in this final day of hearings that we think about substituting for the current retirement test a new test which might be called an adequacy test. I think we are all agreed that the principal function of social security old-age benefits is to provide income protection; that is, replacement of income when persons lose regular income from employment as a result of advancing age. But the key test of determining whether a person needs such protection is not the amount of earnings, but rather the adequacy of his income in meeting his needs.

I propose an adequacy test for the receipt of social security benefits which would allow couples to receive social security benefits without reduction up to the point where the total of social security and/or Federal retirement pension plus family earnings equals the moderate needs of that couple.

"Moderate need" could be defined, for example, using the U.S. Bureau of Labor Statistics' budget level for a retired couple.

I believe, however, that this is probably too low an adequacy level and that a higher adequacy level should be set.

The "adequacy" definition could be reduced, of course, for single individuals. Also, to facilitate transition from the present test, it would be desirable, I think, to retain the current permissible earnings amount of \$1,680, regardless of the total of social security earnings.

The BLS moderate budget level for an elderly couple will soon be about \$500, given increases in the general price level. Thus, under the adequacy test proposed, a couple getting a minimum benefit of about \$1,000 a year would be permitted to earn an additional \$4,000 before any deduction were made in social security benefits. A couple with a maximum benefit of \$3,500, however, would be permitted to earn only an additional \$1,680 without loss of benefits, an amount equivalent to the current test.

Earnings which in combination with social security exceed the adequacy test should then result, as has been proposed, in social security benefits being reduced \$1 for each \$2 of earnings.

Of course, introduction of this adequacy test would not help the elderly who cannot work. I would like to emphasize that such reform is not a substitute for adequate pension levels for all, but after three decades this adequacy still has not been achieved.

People who can work, therefore, should not be penalized for seeking employment to achieve that adequacy. Many elderly today would choose probably to continue working full time rather than live off their meager pension.

But very often institutional constraints, such as mandatory retirement and age-discrimination practices, have prevented their doing so.

Why, then, deny these elderly people part-time work opportunities? Why penalize these elderly by taking away social security benefits?

The critics of abolishing the retirement test have set up, in my opinion, a strawman. At the same time they have failed to face up to the need to establish a realistic and an equitable test as to when people should be denied their social security benefits.

Thank you.

#### EMPLOYMENT OF SUBSTITUTE FOR INCREASED BENEFITS

Mr. ORIOL. Thank you, Dr. Schulz. You have given us another major proposal to consider.

Without getting into the details, just in general, don't we run the risk, if we put great emphasis on employment opportunities, of creating the illusion that employment is a substitute for increased benefits?

Dr. SCHULZ. Yes. I think that is a risk. I think, however, that that sort of employment doctrine is already being promulgated by the people who oppose establishing satisfactory levels of social security benefits. But my reaction is that this is a necessary risk, that you just can't justify, in terms of equity, denying these people the job opportunities which are sometimes available. Denying them these opportunities in the name of some future adequacy of the social security system makes little sense.

In the same vein, I just cannot support the position of Dean Cohen when he says we should not have an automatic adjustment in social security benefits because this would jeopardize improving the adequacy of benefits in the system. This argument has been used for a long time now, and the system apparently continues to be jeopardized, because benefits hasn't become adequate over this period of time.

For us to wait for some distant time in the future when the "day of adequacy" will arrive doesn't help the older people today who find inflation cutting into their social security benefits and have to wait until the Congress gets around to making such adjustments.

No, I really can't accept that philosophical argument against these types of proposals.

Mr. ORIOL. Do you think the adequacy test as a minimum? The reason I ask that, if you have something called an "adequacy test," won't people eventually think of it as a ceiling?

Dr. SCHULZ. I hope not, because I don't think that the present test is in any way a ceiling. I do not look upon the BLS budget for an elderly couple, as an example, as a ceiling.

Mr. ORIOL. Do any members of the task force wish to comment at this point before making your own statements?

If not, we will go on with Dr. Sheppard.

## STATEMENT OF DR. SHEPPARD

Dr. SHEPPARD. I would like to ask for a copy of Dr. Schulz' statement and put my name on it, because it really epitomizes much of what I do want to say.

After listening to the 2½ hours of discussion, I felt prompted to bring out a statement that relates to this point about a spokesman of the 1930's still reflecting the fears of the 1930's. It is a springboard for the remarks I did come prepared to present.

## THE "TRAP"

It was that since our basic retirement source, social security, is really unemployment insurance with a different name—it was defined for me today as "payments for wage losses" after a certain age—this apparently means we are trapped. We are boxed in by a system based on work. We are witnessing a sort of trained incapacity on the part of spokesmen of the 1930's to conceive of a new system to meet the new problems of the 1970's and the 1980's and 1990's and the 21st century.

I want to keep the theme of futurism in these remarks.

So if we have this trap, or this system within which we are trapped, a system based on work, if it is true, it seems to me, then, we ought to make every effort to extend the working life along the lines of what Dr. Schulz has been implying. If not to extend the working life, then at the very best not to reduce that working life as we now seem to be doing, a reduction of the working life, which then throws people into a retirement category. But when efforts are made to solve the income problems of retirement, through such measures as employment opportunities, we are then told that you can't change the system that was based on the unemployment crisis of the 1930's.

There is something wrong here. I can understand what is meant by a "generation gap" now. I didn't know it until today. I am sorry that the large group of young people present earlier in the hearings are not here now, because most of our papers deal with the impact of present policies on the future aged and the future older workers.

They don't remain young. I have some relevant figures that I want to present at this point. In part they speak for themselves.

I hope the Senators get a chance to consider some of these figures.

First of all, I want to refer to a Census report published in December of last year, on the percentage of specific age groups that voted in the last national election of 1968. There are two outstanding results of that census survey that I think important for this committee and other committees in Congress—and any administration that is in the White House—to consider.

The first result is that the highest percentage of persons voting, at least in that election, are found in the age groups of 45-54, 55-64, and 65-74. In other words, from 45-75.

The overall average for persons voting in that 1968 election was only 68 percent. But if you take the specific percentages for those three age groups I mentioned, you get first of all, 75 percent of Americans 45-64 voting. If you take the next age group, 65-74, it

is 72 percent. Only the very oldest groups, those 75 and over, and the very youngest group, those under 35, had below average voting records.

In other words, the age group with which we are concerned here, the so-called "older-worker population"—and I would make that as wide as 45-75—they have the highest voting percentages of all Americans of voting age, roughly between 72-75 percent, compared to the national total average of 68 percent.

The second result of that survey is—to over-simplify these complicated statistics—that 54 percent of all the people who do vote are 45 years of age and older—54 percent. Somehow or other, we have been bamboozled into thinking that half of the voters in this country are under 25, when what is meant is that roughly half of the population is under 25.

But more than half of the voting population is over 45, which is a very critical point.

What I am trying to say here is that employment-related experiences for this older group may not reveal themselves in street or campus unrest. But I think they might reveal themselves at the secret ballot box, and thus they should merit the attention of public leaders who are responsible.

#### TREND TOWARD EARLIER RETIREMENT

And the employment-related experiences of that segment of the population are like an iceberg phenomenon. We haven't paid enough attention to them. I don't want to repeat the kinds of figures we have given before in the previous reports, but there seems to be a sort of unexamined trend, almost an unexamined worship of earlier and earlier retirement, which is creating a crisis for older persons in terms of income maintenance, if nothing else.

Commissioner Martin, as Mr. Fitch mentioned earlier, gave the NCOA dinner speech last night. And I think some of us here were present. He gave some figures that I think ought to be used to show the broader implications of what I am talking about.

Assuming we did retire people at the age of 65—and we don't anymore—as you know, more than half of the men applying for social security benefits are under the age of 65—but even if they all retired at 65, we can expect on the average for those people to live for 13 more years.

The age at death now of people who are 65 now is on the average of 78. Men, at least, who are 65, can live on the average to be 78.

But, to frighten us a little more, Mr. Martin mentioned he was talking to a research physiologist who feels that it won't be long before we can extend the average age of death to about 93. So we need to be thinking and talking about the prospect of people retiring at 62 and on the average dying at 93, which is 31 years of living, if you want to call it that, with very little income based on our present retirement income policies.

We seem to be moving toward an earlier and earlier retirement age, which I think must be reexamined. This calls for some radical rethinking on the part of Government, management, unions, insurance companies, pension funds in particular.

And in connection with that point, I wanted to ask Mr. David the implications of the fact that roughly one-third of the total population of men 16 and over, at least as of 3 years ago, that one-third of them did not work as much as 40 weeks or more full-time.

Let me put it another way. Only two-thirds of the total male population, 16 and over, worked 40 or more weeks full-time in 1967. This, I think, bears on one of his points, that if a man works full-time even at minimum wages, he can expect to get a social security income that will keep him above the poverty line. But that is a big iffy statement, because at least as of 1967, only two-thirds worked as long as 40 weeks and on a full-time basis.

What we need are some lifetime working figures here, by the way, and not just this 1-year shot. Very few people do any studies at all on what percentage of workers actually work over their lifetime on a full-time basis, at least on a 40-48 weeks-a-year basis. It is a very low percentage.

This affects, therefore, the expected social security income—I think this is a critical point that ought to be looked into.

My final statement is that we are in dire need of some planning in the field of work, and retirement income and planning men's actions now to create or to avoid certain conditions in the future. We are not that much future-oriented yet in our policymaking and in our lawmaking.

Mr. ORIOL. Dr. Sheppard, Dr. Shulz has made a proposal. You have endorsed it. It seems to me that the full success of that proposal depends upon developing more part-time job opportunities than now exist.

Dr. SHEPPARD. It depends upon that, among many other things.

Mr. ORIOL. Even though we have held a hearing on employment aspects of the economics of aging, I don't believe that our record yet has much discussion about ways in which this type of part-time job opportunity could be developed.

Your institute of industrial gerontology has just concluded a conference. Was there a discussion of that question here?

Dr. SHEPPARD. I don't think we went into it in any great detail. But it calls for a careful job analysis, occupation-by-occupation, industry-by-industry.

Mr. ORIOL. Could the Institute possibly give us some commentary on this important question?

Dr. SHEPPARD. We will make every effort to comply with your request.

Mr. MILLER. If I may interject at this point, you comment on the development of opportunities. I think that both Dr. Sheppard and Dr. Schulz, however, have pointed out the importance of removal of some of the deterrents, one of them being this limitation on earnings and another being the attitude about retirement at a specific arbitrary age. Removal of these deterrents is something that can move immediately, it seems to me, even though it is a long-time job to accomplish. But you have a twofold approach to this thing, removal of deterrents and then simultaneously development of improved employment opportunities. Is this not so?

Dr. SHEPPARD. I think that would reduce the problem of trying to create part-time employment.

Mr. ORIOL. Mrs. Brewster?

## STATEMENT OF MRS. BREWSTER

Mrs. BREWSTER. I want to join with my fellow panel members here in saying what a very wonderful opportunity this has been and what a privilege to participate in these hearings.

As a health economist, I have felt so frequently that the impact of the costs of health and medical care has not been fully taken into consideration in most of the analyses of income and the need to maintain income in retirement. So I think you have done a real service through this committee in bringing up this particular point.

I wanted to say just a few things that aren't too related to what we have heard this morning and this week, because we have not been discussing health costs. But I think they might help with the wrap-up.

Medicare has been a blessing to our aged. It has also taught us many lessons. And as we go forward, I think we are going to make very good use of those lessons, many of them, are negative in character.

"MEDICARE DOESN'T GO FAR ENOUGH"

Medicare doesn't go far enough in solving the economic problems of the aged. When they are sick, there is not enough done in the area of long-term care. And we have not thought this problem through. Long-term care can really exhaust income and assets.

The disabled need to come under Medicare, of course—we need broader benefits, and a drug benefit, and the deductibles should be removed. All these things have been pointed out.

I want to particularly speak of something that Mr. Cruikshank brought up and that I think relates to some things the other panel members have been saying this morning.

Mr. Cruikshank pointed out that Part B of Medicare is a departure in our social-insurance systems in that it uses general revenues. We are coming more and more, it seems to me, in our thinking around to the need to use general revenues. And for those with the very lowest incomes, this is a way of turning to them and getting away from this whole problem of having just a wage-related or an unemployment program, as Dr. Sheppard put it just now.

For example, right now, this rise in the premium of Part B, by another \$1.30, could be added to the general revenue portion. Actually, of course, I feel that whole premium that the aged are paying should be switched over to come from general revenues.

I think the other lessons that we have learned from Medicare are that we have failed to recognize the leverage of a large public medical-care program and through it really doing something to reorder our health-delivery system, which is more and more labeled a "non-system." We certainly have not approached it wisely, as far as inflation goes. And there have been uncontrolled and runaway costs.

The program has demonstrated the wisdom of paying for more services outside the hospital and reducing fragmentation in the delivery of care.

These lessons are being heeded by those who are discussing a whole program of national health insurance for all ages.

It has been a very interesting exercise to look back to 1946 to the original writings on the subject of national health insurance and see the lessons that have emerged from Medicare. How much further along the road we are and how much better program we can devise in the way of a national health program in the future in 1970 than 25 years ago.

I think Medicare has also educated the consumer, the public generally, to the fact that a public program is essential and that it is not to be feared.

And I think the public has become very disillusioned with doctors because of some of the overcharging by the few bad apples, not all doctors.

So that when we have another go-around—and I foresee this before very long—I would see the “aged” as part of the program applicable to the whole population and therefore a very much strengthened program. I think the work of this committee has furthered that kind of a goal.

Thank you for letting me be a part of the committee’s work.

Mr. ORIOL. Thank you, Mrs. Brewster.

As I look at our task force members here, I realize that not only has each of you served on the original task force, but each of you served on another as well. Dr. Schulz, in fact, you too had been pretty much in charge of the entire product.

Mrs. Brewster I wonder about the Part C, the so-called Part C under Medicare, which has been discussed of late. I would like to get your views for the record on how much hope we can hope in the fairly near future that something like that would have widespread effects in the medical-care system.

Mrs. BREWSTER. As I understand the way it is evolving now—this is as of last Friday that I heard a report on it—it is going to come out merely as a demonstration program rather than a very widespread addition. So it would come under the funds that Social Security has to finance demonstrations.

I was very much excited at the prospect when I read about Part C that here was one way of trying to use the leverage of the dollars in the program to move toward a more orderly delivery system. This would link the hospital and doctor services into one program and enable any savings from providing services on an ambulatory basis and not between the sheets to go over into broadening the services which the aged person could get from the group practice.

So the idea was a very good and imaginative one. I am afraid that it was not well explained on the Hill. I gather from what I have heard that the House Ways and Means Committee had a great deal of trouble even grasping what the concepts were that were in Part C. I don’t know that it is going to go very far.

But the very fact that it has come up once is encouraging.

Mr. ORIOL. I would like to note for the record that the fourth member of the task force, Dr. Juanita Kreps, could not be with us because of difficulties on the campus. But she has prepared a statement, which will be submitted at this point for the record.

(The prepared statement follows:)

PREPARED STATEMENT OF JUANITA M. KREPS,\* PROFESSOR OF ECONOMICS AND  
DEAN, THE WOMAN'S COLLEGE, DUKE UNIVERSITY

It is fitting that the Hearings on the economics of aging, held by this Committee during the past year, conclude by reviewing "The Stake of Today's Workers in Retirement Security." For it is today's worker who produces the goods and services allocated to yesterday's worker, just as tomorrow's worker will in turn assume the responsibility for producing the goods and services that support the worker of today. Since we cannot store up goods that are produced now, though we know we will need such goods during fifteen to twenty years of retirement, we accumulate instead deferred claims against goods that will be produced in the future.

Thus, the current worker whose payroll is taxed to finance purchases made by current retirees is the provider in this stage of his life and the recipient in the next, and he is surely plagued with some obvious misgivings: How much of his own present earnings rightfully belong to today's retired worker? How will the amount he pays in OASDHI taxes compare with what he gets back when he retires? Will tomorrow's worker support him adequately? If not, what recourse will he have against the society, once he has ceased to be a productive worker? None of these questions are eased by the constant pressure on the worker's financial resources, which must cover ever-rising living costs, lengthened educational periods for his children, and frequently direct assistance to his own aged parents. Finally, the low-income worker pays a regressive payroll tax which takes a larger percentage of his earnings than those of the high-wage earner, this regressivity being reversed only in part and only after he begins to receive benefits.

There are no simple solutions to the dilemma of today's worker. He could easily consume all his earnings, leaving no claims (either public or private) for future retirement needs. Social policy cannot hope to satisfy all his present and future needs, for they far outstrip his lifetime earnings. All social policy can do is provide a mechanism that allocates aggregate output in some democratically agreed-to optimal fashion, the optimum allocation in this case having a lifetime as well as a temporary dimension. And just as there are differences of view as to how evenly income should be distributed at any point in time, so, too, men vary in the rates at which they discount the future—that is, in how highly they prize present over future consumption.

What does seem to be widely accepted is the notion of some minimum income for all persons—a minimum that is available irrespective of earnings. Moreover, the minima discussed during the past five years (in particular, the poverty-level indexes) have exceeded the incomes of about half the aged population. There would seem to be general endorsement, therefore, for some redistribution in favor of the elderly. The same agreement applies to low-income persons of other ages, of course. But the particular mechanism we use for allocating income to the aged, i.e., the payroll tax paid into a social security "fund," directs attention to the tax burden borne by the worker on behalf of the retiree, and points up an apparent source of economic conflict between the two generations.

Viewed in lifetime perspective, this conflict is more apparent than real, of course. Retirement benefits have risen during the decades since they were introduced in this country (and the retirement span has increased), with a resulting repayment in ever-rising dollar benefits for ever-increasing lengths of time. Whether any one worker receives back in benefits as much as he paid in—or whether he receives in benefits as much as he could have gained had he invested his contributions for himself—turns on many variables, and has been the subject of many debates. For purposes of today's discussion, we should bear in mind the fact that social insurance by intent reapportions income claims, not only from the present to the future, but also from the higher to the lower income recipient. The extent of the latter form of reallocation depends on the extent of progressivity of the tax and the benefit scheme.

With regard to the reallocation of consumption claims from the present into the future, it is well to note that so far we have "reimbursed" retirees with higher benefits than they during their worklives paid to the then retirees. In that sense, each cohort of workers has received in benefits more than it paid

\* Professor Kreps is a member of the Task Force which prepared a report, "Economics of Aging: Toward a Full Share in Abundance," for the Special Committee on Aging in March, 1969.



in taxes. It follows that any increase in benefits approved for today's retiree, and paid for by today's worker, will also be available to that worker when he retires. If wage earners support the elderly in greater comfort today, it is thus very likely that future workers will honor in more generous fashion the budgetary needs of older people in the future.

As to the reallocation of funds from high to low income families, which surely occurs in our social insurance scheme, we have a range of options allowing various degrees of redistribution. For example, to the extent that we continue to rely on the payroll tax, an increase in the earnings base (assuming no offsetting change) will increase the degree of income shift from high to low incomes. Further, a rise in the minimum benefit will reduce inequality of income among the aged, whereas a percentage increase in benefits will have the opposite effect. As Mr. Cruikshank has indicated, a removal of the retirement test would grant benefits to the working elderly, leaving less funds for the nonworking, whose incomes are lower. Finally, the more we move toward general revenue financing of retirement benefits, the more heavily we redistribute income from high to low levels, the overall federal tax scheme being somewhat progressive and the payroll tax being somewhat regressive.

The questions of temporal and income-level allocation have been the focus of our attention in these hearings. Today's worker has an even bigger stake in the issues than today's retiree, if for no other reason than his longer life expectancy. His family's material well-being, both now and in the future, is significantly affected. It is not surprising, then, that earlier testimony this week underscored the worker's support of better retirement programs, even at some sacrifice in their present consumption. If there is any doubt that social policy in this area properly reflects the preferences of today's worker, surely that policy should be reexamined.

Mr. ORIOL. Now, Miss Dorothy McCamman, who has been with us throughout and who has worked with all advisory committees, task forces, and special projects.

Dorothy, do you have some comments?

Miss MCCAMMAN. It would be against self-interest for me to add to the thousands of pages of testimony which we have taken and which we will be analyzing and studying in order to write our final report.

However, I am glad to have this opportunity to express my real thanks for the participation of all of the people who have made this study so worthwhile. To the task force, which has contributed so willingly of its time and talent, to others who have helped in preparing the working papers, to the experts who have testified, including the older people themselves, who have added flesh and blood to the skeleton of the statistics, to you, Bill Oriol, for your day-to-day enlightened direction, and to Senator Williams, for his leadership—it has been a pleasure to work with you over the last year and a half.

Mr. ORIOL. We all thank you.

I think you would like to know what Dr. Donahue said the other day. He said it is almost a shame that the study is ending because the working papers and other studies have been so helpful. She hates to see them end.

Maybe we will figure out a way to keep them going.

You will be happy to know I have not thought of another working paper we should do right now.

Some of you were not present when Senator Williams expressed his thanks to you at the start of these hearings. Other Senators at various times during this study have made statements which really express their appreciation.

Senator Williams has a closing statement, which we will insert in the record at this point, clearly directing that a major report come out of these studies. And we certainly have the material for it, thanks largely to you.

(The statement referred to follows:)

CLOSING STATEMENT OF SENATOR WILLIAMS

The Committee on Aging, after a year of hearings and research, now concludes its study of the "Economics of Aging: Toward a Full Share in Abundance."

And I think we may say that we have provided solid, startling evidence on the nature and dimensions of the retirement income crisis in this nation.

Witness after witness has told us that the committee has performed an important service by putting the facts together, and by telling the Nation that every American, no matter what his age, has a stake in our deliberations.

We have tried to show that today's crisis, affecting the great majority of the more than 20 million persons past 65 today, will continue and worsen unless major reforms are made.

That point should sink deeply into the national consciousness. And it is now up to the Committee to issue a report which will do just that.

Just yesterday, a witness told us that the grimness of the news on college campuses and in Cambodia might well cause many Americans to feel that problems of aging should be set aside for the time being. The elderly should wait their turn.

But then the witness declared—and I agree with him—that the elderly have waited long enough. Their future is now. If our Nation is not able to recognize and deal with one of the most fundamental and deep-rooted problems of our time—widespread poverty among a third of our aged population and widespread want among a large proportion of the remainder—then our Nation will be weakened. And if our inaction continues, weakness will cause bitterness and despair, not only among the elderly, but among younger people who will dread, with good cause, the prospect of economic helplessness in old age.

Just this week, the House Ways and Means Committee approved a 5 per cent, across-the-board increase in Social Security. Among the other provisions was much-needed liberalization of the earnings limitation, or retirement test, and 100 per cent benefits for widows.

I certainly endorse these changes. But I think that we in this Nation would make a grave mistake if we do not press for more.

We need a cost-of-living adjustment benefit for future changes.

Within the next two years, we need to raise benefit levels by another 20 per cent.

We should put general revenues to wise use to broaden certain Social Security benefits.

And there is also much to do on Medicare.

Even these reforms will deal only with a few of the problems described to this Committee during the past year. But they are essential.

The Committee has a formidable set of hearings in which many other suggestions for action are made. The Congress—and the people of this Nation—can be sure that this Committee will give those recommendations careful attention in the weeks and months ahead.

Mr. ORIOLE. We are adjourned.

(Whereupon, at 12:50 p.m. the special committee recessed, to reconvene at the call of the Chair.)

# APPENDIXES

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## Appendix 1

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### THE STAKE OF TODAY'S WORKERS IN RETIREMENT SECURITY

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A WORKING PAPER IN CONJUNCTION WITH THE  
OVERALL STUDY OF "ECONOMICS OF AGING:  
TOWARD A FULL SHARE IN ABUNDANCE"

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PREPARED FOR THE

SPECIAL COMMITTEE ON AGING  
UNITED STATES SENATE

(1927)

**SPECIAL COMMITTEE ON AGING**

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**DOROTHY McCAMMAN,** *Consultant on the Economics of Aging*

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**PREPARED BY**

**NELSON H. CRUIKSHANK,** *President*  
*National Council of Senior Citizens, Inc.*

## LETTER OF TRANSMITTAL

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HON. HARRISON A. WILLIAMS, Jr.,  
*Chairman, Special Committee on Aging,*  
*U.S. Senate, Washington, D.C.*

DEAR SENATOR WILLIAMS: In response to your request, I am submitting the enclosed working paper on the stake of today's workers in retirement security.

As you will note, this paper comments extensively on the study submitted to your committee in March 1969, by the Task Force on the Economics of Aging. All of us interested in the problems of the aging are indebted to this task force for the excellent analyses they have made, especially of the economic aspects of those problems.

While I take full responsibility for the contents and conclusions of the enclosed working paper, I wish to acknowledge the valuable assistance I received in its preparation from Miss Dorothy McCamman, consultant to your committee.

In transmitting this paper I regret to have to take note of the fact that an element of controversy has been introduced into this area of concern which should be studied dispassionately and impersonally. At the end of February the chief actuary of the Social Security Administration, in the course of his appearance before the Senate Finance Committee, introduced certain charges against those who feel that the social security program should be improved and updated in order more fully to meet the needs of workers who have retired. He charged those who hold this point of view, including Members of the Congress, with being "expansionists," an epithet which he clearly meant as derogatory. Since that time he has carried his vendetta into the public prints, including one publication in particular that has an unenviable reputation for consistently opposing the social security program (which they have a right to do) and for distorting and twisting the facts about it—which they have no right to do.

It will be clear to all who read my working paper that I am obviously among the "expansionists." I take this position without apology. I take it because the gap between the needs of retired people and their economic resources, including their social security benefits, is expanding. I take it because the economy of this Nation is expanding. I take it because the standard of living is expanding. I take it because I wholeheartedly believe that in an expanding economy, faced with an expanding need, social security should not be the only program area that is not expanding, left wedded to an outdated concept of a minimum "floor of protection."

My paper makes no pretensions of being an exhaustive analysis of the economic problems of the elderly, nor of the adequacy of our social security system. It is submitted in the hope that it will be the basis for constructive discussion of these very important problems.

Respectfully yours,

NELSON H. CRUIKSHANK,  
*President, National Council of Senior Citizens.*

## PREFACE

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The U.S. Senate Special Committee on Aging is nearing final hearings in its inquiry into the "Economics of Aging: Toward a Full Share in Abundance."

More than 12 months ago, the first testimony<sup>1</sup> was taken. More than 15 months ago, a distinguished task force prepared a working paper<sup>2</sup> which admirably summed up themes discussed and debated at later hearings. And, with the issuance of other working papers<sup>3</sup> and the taking of other testimony,<sup>4</sup> the committee and its subcommittees have looked deeply into health, consumer, homeownership, pension, and other vital aspects of the economics of aging.

The focus has been primarily upon *personal* economics, although attention has been paid to national legislation and economic policies. We have been concerned about the effect that limited income, inflation, health costs, and other problems have upon individual persons who live in anxiety because each month's bills become more difficult to pay.

What has emerged is a compelling call for immediate and long-range action.

What has *not* emerged, as clearly as it should, is that the Committee on Aging is also concerned about the elderly of the future—today's workers.

But the committee would fail in the mandate given to it by the U.S. Senate if it did not declare and demonstrate—as emphatically as it can—that the retirement income crisis of today will inevitably deepen in future years unless major public policy changes are made within the very near future.

We are looking down the road. And we see danger.

To alert the workers of today—to whom retirement may seem to be distant and therefore not threatening—the committee asked Mr. Nelson Cruikshank to prepare a report addressed to those now middle aged and younger. We asked him to draw from his distinguished career as director of the Social Security Department of the American Federation of Labor—Congress of Industrial Organizations. We asked him to give us the benefit of his present perspective as president of the National Council of Senior Citizens.

<sup>1</sup> Part 1. Survey hearing, Washington, D.C., Apr. 29-30, 1969.

<sup>2</sup> Economics of Aging: Toward a Full Share in Abundance, March 1969.

<sup>3</sup> Health Aspects of the Economics of Aging, July 1969.

Social Security for the Aged: International Perspectives, August 1969.

Homeownership Aspects of the Economics of Aging (a fact sheet), July 1969.

Employment Aspects of the Economics of Aging, December 1969.

Pension Aspects of the Economics of Aging: Present and Future Roles of Private Pensions, January 1970.

<sup>4</sup> Part 2. Consumer Aspects, Ann Arbor, Mich., June 8, 1969

Part 3. Health Aspects, Washington, D.C., July 17-18, 1969

Part 4. Homeownership Aspects, Washington, D.C., July 31-Aug. 1, 1969

Part 5. Central Urban Area, Paramus, N.J., July 14, 1969

Part 6. Retirement Community, Cape May, N.J., July 15, 1969

Part 7. International Perspectives, Washington, D.C., July 25, 1969

Part 8. National Organizations, Washington, D.C., Oct. 29, 1969

Part 9. Employment Aspects, Washington, D.C., Dec. 18-19, 1969

Part 10. Pension Aspects, Washington, D.C., Feb. 17-18, 1970.

He has responded with a study which should be read by today's breadwinners as carefully as they would read an insurance policy.

The message is clear: There is no "we" and "they" among the young and old of this Nation. The young become the old and will share the same problems, just a little later. And successes, too, ultimately become shared.

HARRISON A. WILLIAMS, JR.,  
*Chairman, Senate Special Committee on Aging.*

## CONTENTS

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	<b>Page</b>
Letter of transmittal .....	1929
Preface .....	1930
Introduction .....	1933
Economic security and the modern family .....	1933
Social Security as the base for retirement security .....	1935
Private pensions and their role in retirement security .....	1937
Pressures upon the income of the working population .....	1938
Social Security costs which workers should not be expected to bear .....	1940
A more equitable basis for sharing costs .....	1942
Conclusion: The need for bold reform .....	1943
Appendix A: The retirement test in Social Security .....	1945



## THE STAKE OF TODAY'S WORKERS IN RETIREMENT SECURITY

(By Nelson H. Cruikshank, President, National Council of Senior Citizens, Inc.)

### INTRODUCTION

"Every American—whether poor or rich, black or white, uneducated or college-trained—faces a common aging problem: How can he provide and plan for a retirement period of indeterminate length and uncertain needs? How can he allocate earnings during his working lifetime so that he not only meets current obligations for raising children and contributing to the support of aged parents but has something left over for his own old age?"

With these words, the task force that reported to the Special Committee on Aging in March 1969 introduced its outstanding study of the "Economics of Aging: Toward a Full Share in Abundance." The findings of the task force made clear that the economic problems of old age are not transitional problems—that given present trends, inadequate income will still be a problem plaguing future generations of aged people. Clearly, today's workers have a tremendous stake in retirement security *now*.

The present working paper sets forth the real meaning of this stake and the reasons why workers of all ages should be actively supporting a national effort to solve the economic problems of aging, assuring their own full share in future abundance as well as a full share for those already old.

### ECONOMIC SECURITY AND THE MODERN FAMILY

**The working population's ability and willingness to support the nonworking population assures that those now working will, in their nonworking years, continue to share in our Nation's productivity.**

Young and middle-aged workers don't really like to think about their own old age. But let's face the facts. When today's worker retires some 10, 20, or even 40 years from now, he will not be retiring with a basement crammed full of the food, goods, and services that he will need for the rest of his life. He, along with everybody else, will continue to get his needed goods and services from the current national production of all goods and services.

**And the time has long since gone when the grandparents in each family lived with and were supported by the parents of that family. Support of one generation by another is now provided, not within families, but between one whole generation and another. The generation now in the labor force supports the generation of retirees so that it in turn can be supported in retirement by those then productive. This transfer of incomes between generations is now achieved**

**primarily through governmental and institutional arrangements rather than within family units. Payroll deductions and social insurance are simply the mechanism by which an industrial society implements these transfers.**

We pride ourselves on being self-reliant and provident. One illustration should suffice to indicate why provision of retirement security simply cannot be achieved solely on a "do-it-yourself" basis. This illustration, based on a model developed by Dr. Juanita M. Kreps and Prof. John O. Blackburn, Duke University, is summarized as follows on pages 36-37 of the working paper "Economics of Aging: Toward a Full Share in Abundance."

It assumes that income earners save systematically for their own retirement by setting aside that fraction of income necessary to provide a retirement level of consumption equal to the level of that year. The worker's income is rising at a rate of  $M$  per year. Upon retirement, he takes his savings (plus interest) and buys an annuity providing whatever annual income can be purchased for the remainder of his life.

But since the retiree's savings were accumulated during an earlier period when earnings were lower than those of the present generation of workers, he will begin his retirement consumption at only a fraction of the worker's level. Only if  $M$  is zero would he start at 100 percent of the worker's level (table 16a).

Table 16a shows that the percentage drops to 60 percent if the rate of income growth is 2 percent and to 48 percent, if 3 percent.

Furthermore, he will have a fixed payment per year during retirement, while persons in the labor force continue to enjoy rising incomes at rate  $M$  per year (table 16b).

Table 16b shows that a 2-percent rate of income growth would further reduce the proportion to 45 percent after 10 years and to one-third after 20 years of retirement. At a 3-percent rate of growth, the proportion would be 36 percent after 10 years and 27 percent after 20 years.

Thus, under these assumptions, an annual rate of saving aimed at providing retirement consumption equal to 100 percent of current consumption during worklife would, in fact, provide only a fraction—perhaps one-half to two-thirds—of consumption during worklife, and this proportion only at the beginning of the retirement period. During the course of the retirement years, the retiree's level of consumption falls further still, perhaps to as little as one-fourth of that enjoyed by persons still at work.

**Even if our economy were not growing, the vast bulk of the working population does not have the margin between income and outgo that would permit the significant savings needed to provide for their own old age, or to even contribute significantly to raising the income from other sources.**

Again, the task force working paper provides ample evidence of this fact. Using data on annual income and expenditures for 1961-62 (the most recent available but probably not too unlike today's pattern

with respect to the excess or deficit of income in relation to expenditures), the findings are summarized on page 35 as follows:

Annual incomes exceed expenditures of the self-employed and professional workers' families for most of the age cohorts, leaving sources of savings at practically all stages of work-life. Semiskilled workers, whose expenditures are below income for families in the middle and later years, also have a small margin for saving. For clerical and skilled workers, expenditures are barely balanced by income over the worklife, with the years of slight deficits roughly matched by years of small savings. In the case of unskilled workers, no balance of income with expenditure is achieved except by the 55-64 age group.

Based on these data, the task force concluded: "*If past performance is a guide, private savings cannot be expected to contribute significantly to raising the level of income in old age.* The earnings levels leave only a small excess of income over consumption expenditures for most families during worklife."

**Is there not a fundamental contradiction in our national philosophy when we caution "save and be thrifty" at the same time that billions are devoted to encouraging people to spend? Furthermore, suppose each individual family did try to save enough to provide its own security in the event of any of the risks that might occur—the possibility of the death or disability of the breadwinner or long-term unemployment while the family is still young—as well as for an old age of unpredictable length and uncertain needs. Quite aside from the question of the possibility of accumulating such large and uncertain amounts on an individual basis, what would be the effect on our economy if every family attempted to save on this scale?**

## SOCIAL SECURITY AS THE BASE FOR RETIREMENT SECURITY

**The social security system covering old-age, survivors, disability, and health insurance (OASDHI) is the basic method chosen by this Nation for transferring income from those in the active labor force to those no longer able to work. It is through taxes paid to this program that today's workers stake their claim to a fair share in the Nation's productivity when they, in turn, are no longer supported by a paycheck. In the last analysis, they are the ones who will determine the level of income to which they themselves will be entitled when they reach old age as well as the level for those now old.**

**For most retirees today, social security benefits are the major source of income.**

As a measure of the important role of the social security benefit in maintaining income, preliminary findings from the 1968 Social Security Survey of the Aged show that a large number of beneficiaries had little cash income besides their benefits. In 1967, about one-third of the non-married beneficiaries received less than \$150 in money income other than benefits during the entire year. Nearly one-fifth of the couples had less than \$300 in addition to their benefits. There had been little improvement in this respect since 1963 when the income of bene-

ficiaries had last been studied. In fact, the 1968 survey found relatively little improvement over the survey a decade earlier.

**Yet, even with the long overdue and inadequate 15-percent increase, benefits will average only \$116 for the retired aged worker, \$196 for an aged couple, and \$101 for the aged widow.**

Benefits for workers now coming on the rolls average higher than these amounts and they are more likely to have income from other sources—a private pension plan, for example, or income from assets that have not yet been exhausted, or from part-time employment after retirement.

Any complacency about great improvement for the immediate future, however, is quickly shattered by the following findings reported in the task force's working paper:

- **Projections to 1980 indicate that about half the couples and more than three-fourths of the unmarried retirees will receive \$3,000 or less in pension income. And these projections use relatively liberal assumptions with respect to increases in private and public benefit levels.**
- **The same projection found that more than two-thirds of retired couples could be expected to receive less than \$3,000 in social security benefits in 1980.**
- **Even under earlier projections, now known to be too optimistic, only a third to two-fifths of all aged persons were expected to have income from private group pensions.**

**It is for reasons like these that present inadequacies in retirement income—and the policies and trends that perpetuate them—are of urgent and direct concern to all workers and not just to our aged population.**

Social Security, now the basic underpinning of retirement security, will continue to be the major source of income for most older people and the level of benefits will largely determine their share in economic abundance.

#### **Social Security is family security.**

Too often we forget—or have never realized—that the payroll taxes we pay for social security are providing not just assurance of income in old age but also current protection against the loss of earnings through death or disability.

Disability benefits are payable to a worker and his dependents if he has a severe physical or mental condition which prevents him from working and is expected to last (or has lasted) for at least a year or is expected to result in death.

Survivor benefits are payable to dependent children, a widow regardless of age who has a child under 18 or a disabled child in her care, a disabled widow aged 50 or older, and to a widow 60 or older even if there are no children entitled to payments.

The value of the survivor protection provided by social security is not always recognized. Here is an example:

A young father of two small children, both under 5, is killed in an accident. His average earnings covered by social security were \$450 a month (well below the average earnings in industry today or the maximum covered by social security).

His widow and children would receive about \$345 each month in tax-exempt social security benefits, over \$4,250 each year. By the time the older child reaches 18, this family could have received well over \$55,000. And this would not be all—the children could continue to receive benefits until age 22 if they stay in school; the widow could again receive monthly benefits when she reaches 60.

**Aged widows are an especially disadvantaged group and hence the family protection provided by social security is a key determinant in their economic welfare.**

Many of today's aged widows have outlived husbands who never had an opportunity to build up rights to benefits under social security. Workers now have this opportunity—this obligation—to provide a base of economic security that extends beyond their own old age. Unlike those pension plans that require the worker himself to bear the cost of a benefit for his widow through a reduction in his retirement pension, social security pays an unreduced benefit to the couple and thereafter a benefit to the widow.

And the chances that a wife will outlive her husband are great. Beginning at middle age, a wife who is 5 years older than her husband (an unusual situation) has a 50-percent chance—one chance out of each two such couples—of eventually becoming a widow. If the wife is the same age as her husband, her chances of ending up as a widow increase to two out of three. If she is five years younger than her husband, her widowhood prospects increase to three out of four cases. If she is 10 years younger, the odds rise to four out of five.

## **PRIVATE PENSIONS AND THEIR ROLE IN RETIREMENT SECURITY**

**For those workers fortunate enough to qualify, private pensions provide important supplementation to the basic income assured through the social security system. But the projections summarized above make all too clear that, for the older population as a whole, the combination of private pensions and social security benefits will still leave the vast majority with woefully inadequate incomes. Hence, if our Nation really intends to provide an adequate income for its older people, it will have to do so through a greatly improved social security system.**

The worker who is covered by a private pension plan—and there are nearly 30 million of them—has a tremendous stake in the contributions made to these plans, whether or not he himself contributes, because the contributions made by his employer can be viewed as “deferred wages.” In too many cases, however, he will suffer what is in effect a retroactive pay cut since he will be unable to meet the age and service requirements that determine whether benefits will actually be paid.

To make the worker's stake in private pensions meaningful requires better vesting provisions (provisions that guarantee those covered by the plan that they will receive at least part of the pension benefit for which they have qualified, whether or not they are working under the plan at the time of their retirement). Vesting is of special importance to younger workers who will change jobs many times in the course of

their working lifetimes. Of far greater concern to older workers—and they naturally are much more concerned about the adequacy of their private pensions than are younger workers—is the level of the benefit and the credit for service prior to the establishment of the plan.

This is only one of the sources of conflict in the purposes of private pension plans—the conflict in the objectives of older and younger workers—that “have contributed to the difficulties of developing a public attitude or policy regarding private plans,” according to the working paper on “Pension Aspects of the Economics of Aging.” Other conflicts identified therein include: Differing preferences between employers and employees regarding retirement flexibility and the age of retirement; a difference between large and small firm employees in the importance of social security benefits; a conflict between employers and the general interest of the economy with regard to labor mobility; and conflicts over allocation of the pay package. The latter, while not specifically a conflict regarding the purposes of private pensions, identifies the common problem faced by most workers today: “How can they allocate earnings to meet current obligations to their family and still have something left over for retirement?”

**The worker's stake in private pensions is great and it will be even greater in the future. But at best, the impact will continue to be uneven; coverage will still be concentrated among higher paid workers while those in the greatest need in old age will be least likely to receive private pensions. The social security system will continue to be the Nation's basic method of assuring adequate retirement income to the aged. It is on this premise that decisions as to the adequacy of social security benefits must be made—not on the optimistic but ungrounded hope that virtually all workers will receive a private pension in addition to the social security benefits.**

## PRESSURES UPON THE INCOME OF THE WORKING POPULATION

**Probably at no other time in our history have there been so many competing claims on the worker's paycheck. In large part, this is the result of living in a “buy now” economy when “now” is a period of intense inflation. There are other basic socioeconomic factors that account for an unprecedented pressure upon the incomes of workers.**

One of these factors is the phenomenal growth in the child population, in combination with the longer period during which children remain dependent on their parents. In 1940, and as recently as 1950, there were two people in the so-called productive ages of 18–64 for every one child under 18. Currently the ratio is closer to three productive for two children under 18. But included in the productive group are countless children over age 18 who will continue to depend on their parents for support during many years of education. Gone are the days when a child was expected to begin contributing to the family's income no later than on his 18th birthday. Our affluent society expects—demands in order that one can compete on equal terms—continued education far beyond the level once accepted.

The pressure is felt, too, at the other end of the age scale. In 1940, there were 11 people aged 65 and older for every 100 aged 18–64. For the last decade this ratio has been in the neighborhood of 17 to 100 and it is not expected to increase markedly.

Here, too, we must reexamine the dependency ratio in realistic terms. In recent years, even though marked by high levels of employment, about half of all the men starting to receive their social security benefits were *under* age 65. This fact caused the Task Force on the Economics of Aging to point out that, with more and more workers retiring before 65, the dependency ratio changes and we must re-examine conclusions that any rise in the economic costs of supporting the nonworking population will not be due to a rising proportion of older people.

The working paper on "Employment Aspects of the Economics of Aging" makes this clear with a ratio that related the older population to the population aged 20 through 64—a more realistic starting age for the productive population. This dependency ratio is now 18.2 per 100; if workers aged 60 and over continue to be eased out of the labor force, this dependency ratio could easily rise to 28.3 per 100 in the years immediately ahead. In other words, 100 people would be working to support 28 people aged 60 or over through social security benefits, old age assistance, private pensions, help from the family, or other sources.

**Facts like these help to explain why the worker is feeling unprecedented pressures on his income; why his obligations to his own family plus his costs for supporting the older population—so that he, in turn, will be supported in his old age by that working population—leave him little leeway for putting aside additional savings for the retirement years.**

**The cost of income maintenance of the aged population is increased by early retirement. Furthermore, during the lengthened period spent in retirement, the income gap between the retiree and the worker will become ever wider. This is because (1) early retirement reduces the amount of wage replacement provided by pensions, both public and private; (2) the fact that any assets accumulated for retirement must be spread over a greater number of years; and (3) inflation of the price level further erodes the purchasing power of available money incomes.**

The Task Force on the Economics of Aging sounded the following hopeful note that the present trend toward early retirement might actually be reversed, not just slowed:

*The possibility of a reversal in the trend toward early retirement cannot be ignored. As compared to today's older population, workers who reach old age in the future will undoubtedly have higher educational achievement and can be expected to have better health status; a higher proportion will be nonproductive workers. We question whether there is presently sound ground for believing that they will want to accept patterns of early retirement or even retirement at the ritualistic figure of 65. In other words, work and retirement patterns that have characterized the past few decades will not automatically be extended into the future.*

## **SOCIAL SECURITY COSTS WHICH WORKERS SHOULD NOT BE EXPECTED TO BEAR**

Over the years since the introduction of Social Security, workers have shown a commendable willingness to pay social security taxes. In no small part, this willingness stems from a recognition that taxes paid out of earnings will entitle them to continue to share in productivity after their working years are over.

But the obligation to pay social security taxes carries with it a right to be sure that these taxes are used to best achieve retirement security for today's older population.

**Workers should not be expected to pay higher social security taxes in order to provide full social security benefits for those aged people who are able to continue to engage in fulltime employment.<sup>1</sup>**

Our social security program was never intended to be an annuity program that would reward people simply for attaining a given age. It was designed to insure workers and their families against the risk of a loss of earnings arising from retirement from work (either compulsory or voluntary) in old age or from disability or death. Appropriately then, the law includes a retirement test to determine whether there has actually been a loss of earnings. This test relates only to earned income. To apply an overall test extending to income from interest, dividends, private pensions, et cetera, would not only be inconsistent with the basic purpose of the test, but could serve to discourage efforts for building supplementary protection for old age through private arrangements, both individual and group.

The retirement test now in the law needs to be modernized and liberalized. To do so would be very inexpensive. But to eliminate the test completely would be costly, requiring a substantial increase in taxes—two-thirds of a percent of payroll—that could better be used to raise benefits for those unable to earn.

Relatively few of all aged people would gain from elimination of the retirement test—less than one in 10 of all people 65 and older. And these are the very people least in need of additional income. They include the self-employed and the professionals who do not encounter the same age barriers to gainful activity as other members of the labor force. Why should employees be subjected to higher social security taxes in order to provide old-age benefits to people, including the highest paid professionals and business executives, who are still working?

**Workers should not be expected to pay higher social security taxes in order to pay a high minimum benefit to people who barely meet eligibility qualifications because their lifetime work has been in non-covered employment.**

The present minimum social security benefit—\$64 as a result of the recent 15-percent increase—is woefully inadequate for those people who have spent substantial time working in low-paid or seasonal jobs. Particularly now that the welfare reform proposal before the Congress would establish a minimum standard of \$110 a month for old-age assistance, the level of the minimum social security payment should be raised; otherwise more and more older people with low social security

<sup>1</sup> For a fuller discussion, see app. A ("The Retirement Test in Social Security" by Nelson H. Cruikshank, President, National Council of Senior Citizens, Inc.)



benefits will need to turn to the assistance program for supplementation of their obviously inadequate incomes.

In other instances, minimum or low social security benefits are the result of minimal work in covered employment. For example, a Government employee may have retired on his civil service annuity and then gone to work in a job covered by social security, working just long enough to qualify. There would seem to be little social justification in paying a high minimum benefit to such people.

A substantial increase in the minimum should therefore be accompanied by appropriate eligibility requirements that assure that the costs thereof are socially justified.

**Workers should not be expected to pay higher social security taxes in order to provide full benefits for workers who chose to retire early.**

As pointed out above, a large portion of early retirements are not voluntary. Older workers are encountering increasing difficulty in getting and holding on to jobs and they have no choice but to elect the reduced benefit.

The task force working paper called for consideration of approaches that more directly attack the problem of involuntary early retirement, including (1) improvement in public and private disability coverage and provisions; (2) institution of extended unemployment compensation benefits for older workers; and (3) job retraining—together with a vigorous labor market sustained by appropriate monetary-fiscal policy.

And the task force sounded a warning of utmost importance to all workers and especially to older workers when it said:

By institutionalizing a lower age for initial eligibility for retirement benefits, the average age for retirement may be pushed lower and employment opportunities for older workers adversely affected.

In one way or another, whether through payroll taxes or income taxes, workers will help to pay the costs of income maintenance for their fellow workers who are pushed out of the labor force prematurely. But they should not be asked to shoulder the additional costs of early retirement for workers who choose to retire early in order to enjoy leisure and with assured income through early retirement benefits under their private pension plans.

**Workers should not be asked to pay for uncontrolled runaway medical costs.**

This Nation's workers willingly shouldered the costs of Medicare as the preferred method of financing medical costs for their own parents and grandparents as well as providing assurance that they themselves would have protection in their own old age. They have witnessed the immeasurable value of Medicare in making urgently needed medical care available to old people and in saving them from financial ruin. But they have also witnessed an unprecedented rise in medical costs that affects not only the taxes paid for Medicare and Medicaid but the amount they pay out-of-pocket or for health insurance for the health care of their own families.

Old and young alike are dependent for their medical care on the same health care system—or “nonsystem” as it has frequently been called. This system badly needs organization and improvement. Whatever can be done to improve the system for one group in the population will improve the system for all others.

The worker's stake in controlling costs and in improving the delivery of health services is thus of paramount importance for his well-being today as well as in the future.

### **A MORE EQUITABLE BASIS FOR SHARING COSTS**

**The costs of supporting our aged population are already large and will have to be much larger to assure old people a full share of the Nation's economic abundance. The working population cannot escape these costs. Workers of all ages, therefore, have a vital stake in making sure that the financial burden is spread in the most equitable manner.**

The major part of the cost of retirement security is now met through the social security payroll tax. In recent years, an increasing number of low-income families have paid more in social security taxes than in income taxes.

The social security contribution rate is uniform and does not apply at all to higher levels of earnings. Workers with low earnings therefore pay a larger percent of their total incomes than do higher paid workers. The tax considered just as a tax, is thus regressive even though this regressivity is offset to a considerable degree by a benefit formula that replaces a higher proportion of earnings for those at low wage levels. The tax is also a percentage of wages rather than a flat amount as is the case in most private insurance premiums.

**The time will soon be reached—if it is not already here—when it will be difficult to levy a regressive tax on low-paid workers at the higher rates needed to finance benefit improvements. The regressive nature of the social security tax can be relieved in two ways: by a higher wage base—raised substantially more than through past actions—and by use of general revenues. A combination of the two methods would be best. Serious consideration must therefore be given to the use of general revenues as a more equitable basis for sharing these costs.**

There is sound justification for financing through general revenues that part of social security costs which is equivalent to prior service credits. Workers already close to retirement age when the system was first started, or when coverage was extended to their employment, received full benefits even though the contributions they and their employers paid would finance only a small part of the benefit. While this was sound public policy and kept many old people off relief, it did mean that these benefits had to be financed from future contributions. There is no justification for expecting presently covered workers to pay for this “accrued liability”—estimated in the long run to amount to one-third of the total cost of the program—through a regressive payroll tax. A far fairer method would be to finance this share from general revenue sources to which all taxpayers contribute and through a more progressive tax structure.

## CONCLUSION: THE NEED FOR BOLD REFORM

Our Social Security program, when enacted 35 years ago, was a bold and forward-looking step for a nation acutely suffering from a gigantic depression. But most of the steps to improve the program over the years have been far from bold. These actions—and the 15-percent increase in benefits is the most recent of a long line of examples—have been aimed primarily at alleviating the all too obvious hardship of a retired population that was struggling to keep abreast of rising price levels.

In combination, these efforts have not attempted to tap the Nation's rising productivity or to keep benefits abreast of our rising standard of living. They have instead perpetuated the depression philosophy which gave birth to our social security program.

**Bold new steps are long overdue, steps that would immediately enable today's retirees to share in the abundance they helped to create and that would assure to future retirees—today's workers—an income that is adequate in relation to their standard of living prior to retirement. Such assurances can be provided only through major improvements in our time-tested social security system.**

To provide such assurance requires a *meaningful increase* in benefit levels. The benefit level has not been significantly raised since 1950 when, after a long period during which only minor adjustment had been made, benefits were increased by an average of 77 percent. The two decades since have been marked by dramatic increases in productivity, earning capacity, costs, and standards of living. It is time now for a major overhaul in the benefit structure and financing of the system.

A carefully designed plan for social security reform has been proposed by Senator Williams and Congressman Gilbert and their numerous cosponsors in their identical bills (S. 3100 and H.R. 14430). The proposal includes:

- An immediate increase of 5 percent in monthly cash benefits with a further 20-percent increase effective January 1, 1972. This two-step increase would raise the minimum benefit to \$120 a month in 1972. The maximum benefit (now approximately \$190 a month) would go to \$340 a month in 1974.
- Thereafter, automatic increases geared to increases in living costs.
- A widow's benefit at age 65 equal to the husband's benefit.
- Improved benefits for workers retiring before age 65.
- Liberalized disability benefits.
- An increase from \$1,680 to \$1,800 a year in earnings permissible for retirees without loss of any social security benefits and a liberalization in the treatment of earnings above \$1,800.
- Elimination of the monthly premium—slated to rise to \$5.30 this July—for Medicare part B (doctor insurance).
- Extension of Medicare to out-of-hospital prescription drugs.
- Coverage under Medicare of disabled persons under age 65.
- Earnings up to \$15,000 a year credited for social security benefits with benefits based on 10 years of the 15 years of highest earnings.
- A more equitable financing method through a higher earnings base for payroll taxes and through a gradually increasing Government contribution eventually equal to approximately one-third the total cost of the cash benefits program.

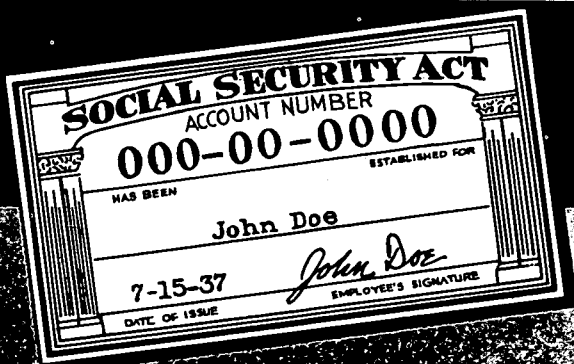
1944

**These major improvements in Social Security would immediately greatly enhance the economic security of workers already retired. Equally important, they would make long-range changes appropriate to the dynamic nature of our economy. Through this major reform, today's workers can come closer to realizing their full stake in retirement security.**

1945

APPENDIX A

# THE RETIREMENT TEST IN SOCIAL SECURITY



BY  
NEEDON H. CRUGCHANK  
PRESIDENT  
NATIONAL COUNCIL OF  
SENIOR CITIZENS

This card is a representation of Social Security as provided by the National Council of Senior Citizens - was established by response to a request for a card from National Convention of the National Council of Senior Citizens held at the Washington, D.C. (1934-1935).



## ABOUT THE AUTHOR

Nelson H. Cruikshank, President of the National Council of Senior Citizens, is an authority on social insurance and the Social Security System. Born at Bradner, Ohio, in 1902, he attended public school at Fostoria, Ohio, went to Ohio Wesleyan University. He graduated from there in 1925, and from Union Theological Seminary, New York City, in 1929.

During the 1930's, he conducted a relief program in New York for the Brooklyn Federation of Churches, a worker's education program at New York University and ran a migratory labor camp program for the Federal Government.

After service as a top official of the War Manpower Commission in World War II, he became Director of Social Insurance Activities for the American Federation of Labor, a post he held for six years. He then was named Director of the European Labor Division for the U.S. Economic Cooperation Administration, with headquarters in Paris, France.

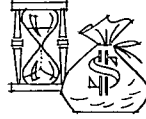
Cruikshank served as Director of the AFL-CIO Social Security Department from 1955 until his retirement in 1965.

After retirement he held appointments as Visiting Professor at Michigan State University and Pennsylvania State University, and as Lecturer in Social Work at the University of Michigan.

He was a member of the Government's statutory advisory councils on social security in 1948-49, 1958-59 and 1964. He was a member of a special consultants' group to advise the Secretary of Health, Education, and Welfare on social security in 1954.

Cruikshank has been a member of the Advisory Council on Employment Security, U.S. Labor Department, serving three terms in that post. He was an original member of the Health Insurance Benefits Advisory Council set up under the Social Security Amendments of 1965 to advise the Secretary of Health, Education and Welfare on Medicare. In 1968, he was re-appointed to this Council for a four-year term.

A founding member, Cruikshank was elected President of the National Council of Senior Citizens in 1969.



## THE RETIREMENT TEST IN SOCIAL SECURITY

The retirement test is just what the name implies, though it is often referred to by other names, such as, "Earnings Test," or "Work Test." It is a test basically in terms of dollars earned in a year to determine whether a person otherwise eligible for social security retirement benefits can be considered retired.

The reason for there being such a test rests on the fact that the old age survivors and disability insurance provisions of the Social Security Act are designed to insure individuals and families against the risk of a loss of earnings arising from retirement from work (either compulsory or voluntary) in old age or from disability or death. It is comparable in concept to unemployment insurance or on-the-job injury insurance (Workman's Compensation) under which the benefits are not payable unless the worker is actually unemployed or has suffered injury resulting in loss of wages. Just so, benefits are not payable under the retirement test provisions of the social security program to those between the retirement eligibility age and age 72 unless the worker can be considered substantially retired.

Confusion about the nature and purpose of this program frequently arises from comparing it with a straight annuity program where benefits are paid when a person reaches a specified age, regardless of any earnings the retiree may have. Such programs are quite different in basic concept from that of insurance against *loss of earnings* and require substantially more financial support than that provided under the social security tax schedule. In other words, to have made social security an annuity program permitting the payment of benefits to people with unlimited earnings after retirement would have required much higher contributions from

workers and employers and the self-employed than they have been paying all these years. Alternatively, to adopt such a system now would demand the expenditure of \$2.5 billion for the first year (and more in future years) to benefit *less than one out of every ten aged* people in America. Those benefiting would be those who enjoyed the highest earnings and who, presumably have less financial need in retirement. The question of what other benefits could be added for all social security beneficiaries for the same amount of money that removing the retirement test would cost is the real heart of the issue. The reasons for this conclusion are set forth in the following sections.

## HISTORICAL BACKGROUND



The test of retirement has undergone a series of modifications since social security was first enacted in 1935. These reflect some changes in the basic concepts of the program as well as modifications that Congress felt desirable because of changes in economic conditions.

The earnings test originally applied only to earnings in "covered" employment because it was not thought to be administratively feasible, with the limited coverage of the program, to apply the test to *all* gainful employment. Theoretically, this left an individual worker upon retirement from his regular job free to supplement his benefits by getting a job in agriculture, domestic service, city or state government, or any other employment not then covered by social security. The freedom to earn wages in non-covered employment, however, in depression days, was more theoretical than real.

In 1939, before benefits became payable, the act was changed to allow a limited amount of earnings in covered employment while still permitting a beneficiary to be con-

sidered retired. The limit was \$14.99 a month. This amount was changed to \$50 in 1950, and \$75 in 1952 for employees, and at the same time, a test for the newly covered, self-employed was implemented on a comparable annual earnings basis (\$600 in 1950 and \$900 in 1952). The test for retirement for self-employed workers was made to rest more on the test of whether the individual rendered "substantial services," though amounts of earnings are also considered in the determination as to whether he has actually retired.

In 1954 the law was changed so that the test applied to all earnings, not just earnings in covered employment and a combination annual and monthly test was instituted for both employees and the self-employed. The 1954 amendments set \$1200 as the amount a beneficiary could earn and get all of his benefits. If earnings exceeded \$1200, one month's benefit was withheld for each \$80 or fraction thereof earned above \$1200. However, no benefits were withheld for any month in which the worker neither earned more than \$80 in wages nor rendered substantial services in self-employment.

The 1958 amendments provided that a beneficiary who earned above \$1200 in a year would not have a benefit withheld for any month in which he earned wages of \$100 or less (rather than \$80 as previously provided).

A major change in the retirement test was provided by the 1960 social security amendments. Under this change benefits were adjusted in direct ratio to the amount of earnings above \$1200 — \$1 in benefits was withheld for each \$2 in earnings from \$1200 to \$1500 and for each \$1 above \$1500. As under previous law, no benefits were withheld for any month in which a beneficiary neither earned wages of more than \$100 nor rendered substantial services in self-employment.

Further modifications were made in 1961 and 1965. The present provisions are contained in the social security amendments of 1967.

This is how the present provisions of the retirement test operate for an individual who is under 72 years of age and who is otherwise eligible for retirement benefits:

If he earns \$1680 or less during the year nothing will be withheld from his benefits. If he earns more than \$1680 in the year, for each \$2 of earnings above \$1680 and up to \$2880, \$1 will be withheld from his benefits. For each \$1 of earnings above \$2880, \$1 will be withheld. However, regardless of total earnings in the year, benefits are payable for any month in which he neither earns wages of more than \$140 nor performs substantial services in self-employment.

### ATTEMPTS TO REMOVE THE RETIREMENT TEST



There have been persistent attempts to repeal or drastically modify the retirement test. Many bills are introduced in every session of Congress for this purpose. The criticisms of the test have a wide appeal — especially to those who are not acquainted with the basic purposes and design of the social security law.

For example, critics allege an "inequity" in the fact that a retired person may derive substantial income from savings and investment without loss of any of his social security benefits while a worker who earns more than \$1680 in a year — even if it is only a small amount — has his benefits reduced.

The investor who gets social security retirement benefits can do so only when he has retired and thus he has suffered a loss of earnings — which was the risk insured against under the social security system. The question of his need as compared with that of a less affluent neighbor — does not relate to his eligibility. That's the way insurance works — including social insurance.

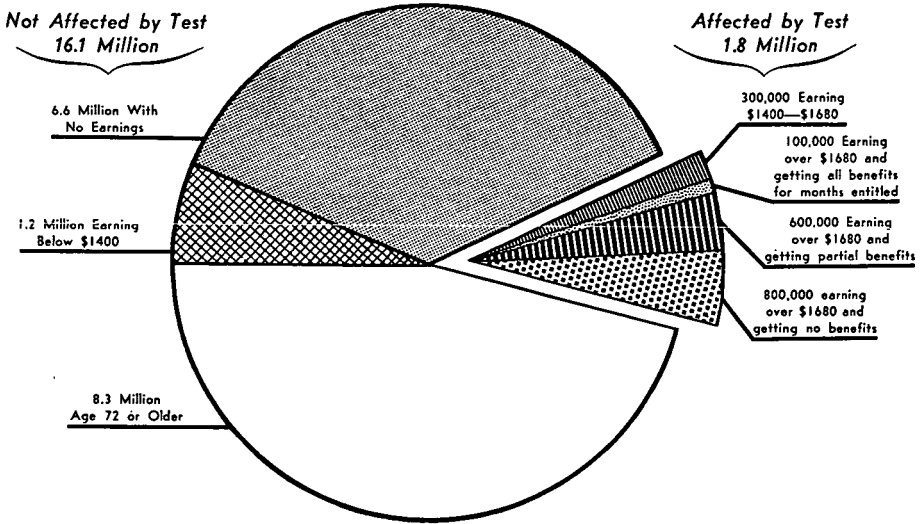
Another argument frequently advanced against the retirement test is that the worker has paid social security taxes most of his working life and, therefore, "has paid for" his benefit; it is an "earned" right and should not be denied him simply because he chooses to keep working.

The social security system accepts the principle of entitlement to a retirement benefit as an "earned right" only to distinguish the basis of entitlement from that resting on a person's need. In the case of government programs, need usually means a proven need and this involves a means test. The fact is that the typical full-time individual worker has not made contributions (paid taxes) into the social security system, even including those paid by his employer, that represent more than a small fraction of the total amount of benefits due such a worker based on his normal life expectancy. So, in reality, he has not "paid for" his benefits though they are recognized as an earned right. The social security deductions that have been taken from his pay represent "premiums" that go to insure a portion of his earnings against loss resulting from retirement and he should not expect to draw his benefits without suffering a loss of earnings from work any more than he can expect to collect on his fire insurance when his house has not burned.

Another plea often made in support of removing the retirement test is based on the present low level of social security benefits. The inadequacy of benefits, especially in light of current steep increases in living costs cannot be denied. The answer to the need for greater incomes for the elderly, however, does not lie in permitting the relatively few who are still young enough and healthy enough to work and for whom there are available jobs to draw benefits while continuing to work — especially when to do so would be so costly to the system as to make it more difficult to obtain other needed improvements that would help all retired people. The National Council of Senior Citizens, recognizing the critical need for greater income for the elderly, supports a program for increasing social security benefits by fifty



## NUMBER\* OF PEOPLE AFFECTED BY SOCIAL SECURITY RETIREMENT TEST



\*17.9 Million Eligible People Aged 65 and Older  
(As of January 1, 1949)

Source: Social Security Administration  
U.S. Department of HEW

per cent, with even larger increases at the lower end of the benefit scale.

Why are persons 72 and older not required to meet the retirement test? The answer is that though the insurance principle is fundamental to the social security system, it is not taken over without modification from private or commercial insurance programs. For example, there is a weighting of the formula for determination of benefit amounts in favor of the lower paid worker which is a departure from the rule that the amount of indemnity be directly related to the amount of the loss or the size of the premiums. Social security departs from rigid commercial insurance standards in a number of ways that Congress has determined enable the system better to meet its social objectives.

It must be borne in mind that many people beyond 72 years of age who are still working may never retire. The 7 years during which these people did not draw benefits because they did not retire represents a considerable saving to the system, not to mention the fact that they still continue to pay social security taxes on their earnings. Of course, many of those aged 72 and over who work have retired from their regular full-time job, or partially retired, but once having left their regular job, it is not likely their earnings will be very high in most cases. Based on such considerations of equity, those over 72 have been relieved of the retirement test.

#### **WHO WOULD BE HELPED IF THE RETIREMENT TEST WERE REMOVED?**



More important than all considerations of the theory or principle on which the retirement test rests is the question of its impact on older people. Who and how many would be helped if it were removed, and who and how many would be injured?

The accompanying pie chart shows the number of people affected and the number not affected by the retirement test out of the total 17.9 million persons aged 65 and older and eligible for social security benefits as of early 1969.

Actually, the number affected by the retirement test is quite small when considered as percentage of the total. The 17.9 million represents all those eligible for cash benefits, either as workers, or as dependents or survivors of a worker. Of the 17.9 million, only 1.4 million — about 8 per cent — had any benefits withheld under the retirement test in 1968. There were 8.3 million aged 72 and older during all of 1968 and, thus, not subject to the test. (Beneficiaries under age 65 are not included in the chart; the percentage of beneficiaries under age 65 with benefits withheld is considerably less than for those 65 and over.)

There are 8.1 million people who were under age 72 and subject to the test but who earned less than \$1680, the annual exempt amount of earnings. Among these 8.1 million, 6.6 million had no earnings at all, and another 1.2 million had earnings of less than \$1400; almost all of the people in these two groups were probably either unable to earn as much as \$1680 a year or preferred not to work enough to do so.

The remaining 300,000 of the 8.1 million had earnings between \$1400 and \$1680 and received full benefits for the year. Some of these 300,000 — probably most of them — held their earnings down, either because they did not understand the retirement test or because they wanted to get all of their benefits; many of them would have earned more than they did if there had been no test or if the \$1680 exempt amount had been higher. Others no doubt earned all that they could earn.

There were about 100,000 people who earned more than \$1680 and had no benefits withheld. These were largely people who in the year in which they retired and started getting benefits had either no earnings or earnings not exceeding \$140 a month after they retired. Others were self-employed but

did not render substantial services in their businesses.

Another group of about 600,000 earned over \$1680 (or were dependents of persons who earned over \$1680) and received some but not all of their benefits. Many of these workers earned all that they could earn.

The remaining 800,000 includes workers who earned over \$1680 (or were dependents of such workers) and whose earnings were high enough so that no benefits were payable. Most of these workers undoubtedly had not retired and were earning as much as they ever did. If there had been no retirement test, they could have received full benefits.

The chart identifies the 1.8 million people who may be thought of as directly affected by the retirement test — those under age 72 whose earnings exceeded \$1680 and those who earned between \$1400 and \$1680 and who likely held their earnings down because of the test. Thus, eliminating the test would help less than 10 per cent of the people who are aged 65 and older and eligible for benefits, and these would generally be those least in need of additional income.

### WHO WOULD BE HARMED BY THE ELIMINATION OF THE RETIREMENT TEST?



The answer to this question depends largely on three factors; (1) What the cost would be, (2) how that cost would be distributed among taxpayers, and (3) what other changes in the program might be discarded because of the cost of this one.

The dollar cost to the present program of eliminating the test would be about 2.5 billion dollars for the first year. The long-term level cost would be, according to actuarial estimates, about 0.66 per cent of taxable payroll. Raising the annual exempt amount from \$1680 to \$3000 as some advocate would cost about \$1.75 billion for the

first year with a long-term cost of 0.47 per cent of taxable payroll.

It would, of course, be theoretically possible to eliminate the test and add the cost to the present social security tax schedule and, thus, require those who are still working (and future workers) to carry the load. This is, however, neither socially desirable nor politically feasible in the light of the figures cited above showing that, at the most, less than 10 per cent of the elderly would benefit and this group would be the least in need of additional income. Workers have shown a commendable willingness to pay social security taxes; but it is doubtful the same willingness would be shown toward a steep increase in taxes to pay benefits to people including the highest paid professionals and business executives who are still working.

Any degree of political realism leads to the inevitable conclusion that if such a costly change were made in the social security system, it would be very much more difficult to secure other changes which also entail increased costs. The question of what other benefits might be added to the program for the same or comparable cost brings us to the heart of the issue.

An across-the-board 5.5 per cent increase in all benefits for all the 25 million plus now getting benefits would cost about the same as raising the exempt amount of the retirement test to \$3000.

The 0.66 per cent increase in social security tax necessary to meet the cost of eliminating the test would pay for all the following improvements: provide a widows' benefit at age 65 equal to 100% of deceased spouses' benefits (.26); permit an age 62 benefit computation for men in the same manner as for women (.10); reduce the waiting period for disability benefits from 6 to 3 months and without regard to subsequent duration of disability (.15); and extend the provision in present law that applies to older blind workers to all older disabled workers (.10).

So in a very real sense all the people, the widows, the disabled, and all benefici-

aries who would benefit by alternative liberalizations, costing approximately the same amount, would be the ones who would be paying for the elimination of the retirement test.

When the same question is put in another way, the policy issue is even more evident. If we had \$2.5 billion a year (the cost of eliminating the retirement test for the first year) to distribute among the elderly, where would we put it? It is hardly conceivable that we would distribute it only among less than 10 per cent of the elderly who made up the group now affected by the retirement test and which includes all those having the highest earnings. Surely, we would consider first the needs of the elderly who are unable to continue work. This, essentially, is the issue before us.

## CONCLUSION

It would appear evident from the facts and figures cited above that the elimination of the retirement test in the social security program is neither practicable nor desirable since it would help a comparatively small number who are least in need and deprive a very large number, including those most in need of the benefit, of possible improvements in the program.

This conclusion does not mean, however, that the National Council of Senior Citizens is wedded for all time to the retirement test in its present form. The test as we have shown has been liberalized and updated several times in the past and there are sound reasons for continuing this practice. In line with this policy, the Council supports the liberalization advanced in the Gilbert Bill (H.R. 14430).

This bill would increase the exempt amount of earnings from the presently allowed \$1680 to \$1800, effective January, 1970. The bill provides a corresponding increase, from \$140 to \$150, in the amount a person can earn in a month and still get benefits regardless of earnings for the year. The bill further provides that the test be changed to assure that a person will not suffer a reduction in spendable income (that is, social security benefits after application of the retirement test plus earnings after taxes) as a result of working. There would be no change in the \$1 for \$2 withholding for the first \$1200 of earnings above the annual exempt amount, but above that only \$3 in benefits would be withheld for each \$4 of earnings. There would be no point at which \$1 in benefits would be withheld for \$1 of earnings.

The Gilbert bill would also provide for automatic adjustment of the annual exempt amount of earnings under the retirement test to increases in earning levels, effective beginning January, 1975. This provision would assure beneficiaries dependent on earnings from work that they would be able to maintain their economic level to a significant degree.

The proposals in H.R. 14430 would meet the deficiencies of the present retirement test, provide a means of keeping the test up-to-date without violating the basic principles of the social security system, and without burdening the system with such heavy costs as to jeopardize other improvements so badly needed by the great majority of the elderly who depend on social security for their chief source of income after retirement.

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**Appendix 2**

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# **The Future Role Of Social Security**

**Government Finance Brief No. 19  
March 1970**

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**TAX FOUNDATION, INC.**  
50 Rockefeller Plaza  
New York, N. Y. 10020

## Foreword

The perennial renewal of debate over the social security system focuses attention on issues concerning the nature of the programs and the financing principles involved. This debate seems more likely to grow, rather than subside, as presently scheduled increases in social security tax rates take effect, and as proposals for further increases in the level of the tax gain momentum.

This report is designed to provide perspective on current issues in social security. The material presented is drawn from three recent Tax Foundation publications covering somewhat different aspects of the subject. An introductory section sketches the historical development of the social security system.

In Section II, "The Future Role of Social Security" (*Tax Review*, November 1969), Dr. Robert J. Myers discusses the view of moderates who approve of the current role and of expansionists who demand greatly increased benefits and other changes. He concludes that a choice can be made between the two schools and that the public is entitled to hear all sides of the question as to how much economic security should be provided through social security and how much should be provided through the private sector.

Dr. Myers holds that if the established social security floor-of-protection concept is changed so that it provides a full measure of economic security to virtually the entire population, the social and economic lives of everybody will be greatly affected.

Section III, "Issues in Future Financing of Social Security," is based on a Tax Foundation research publication of the same title (Research Publication No.

11, 1967). The report reviews the principles that have guided social security financing in the past, and analyzes selected alternatives or revisions that are being proposed or debated.

Maintaining the existing system is one of the "alternatives" that is specifically examined. A major conclusion of the study is that the very uncertainties and difficulties of new proposals — such as general revenue financing of a portion of social security retirement benefits—are a strong argument against change in the existing system, which has been developed through years of debate and experience.

The focus of Section IV is on the effects of the tax which finances the social security system, rather than with alternative financing proposals. Entitled "Economic Aspects of the Social Security Tax," this section is adapted from a Tax Foundation study of the same title (Research Publication No. 5, 1966). It examines effects of payroll taxes on labor-capital ratios, possible effects on employment of unskilled labor, discrimination among various categories of people, and other "equity" issues. A major purpose is to provide material needed to make comparisons of the tax in relationship to the entire tax structure and to the uses made of the revenues.

The Tax Foundation is a private, non-profit organization founded in 1937 to engage in non-partisan research and public education on the fiscal and management aspects of government. It serves as a national information agency for individuals and organizations concerned with government fiscal problems.

Tax Foundation, Inc.  
March 1970

# The Future Role Of Social Security

## 1. History and Development of Social Security

The social security tax, born in the Great Depression as a relatively small levy, has since burgeoned into a tax of major significance. For many families with low incomes, and for large families with moderate incomes, OASDHI tax payments will exceed their income taxes. For many employers, the tax has become an important business cost.

The Social Security Act of 1935 embodied a program for old age retirement benefits supported by payroll taxes levied in equal amounts on the employer and employee in industry and commerce. Benefits for dependents and survivors were added in 1939.

The initial maximum wage base, which remained unchanged until 1951, was \$3,000. The beginning tax rate was one percent on the employer and one percent on the employee, and the maximum amount of combined tax was \$60. Through increases in both the rate and the base, the amount of the tax has subsequently been raised 13 times, and under present law is scheduled for five additional step increases between now and 1987. The present combined employer-employee tax rate is 9.6 percent of taxable wages up to \$7,800 and will rise to 11.8 percent in 1987. The maximum amount of tax will be increased from the present \$748 to \$920. (See Table 1.)

Changes in the name of the tax mirror yet another facet of the system, the extension of benefits. Until 1955, it was

known as the OASI (Old Age and Survivors Insurance) tax. Beginning in 1956, disability was added (OASDI); and in 1966 health benefits (OASDHI) were introduced. Along with the transition from OASI to OASDHI, the level of benefits has risen from a \$60 monthly maximum for an individual in 1939 to \$251, but the end is not in sight. The most recent increase, enacted in 1969, raised benefit levels by 15 percent.

Occupations, industries, and geographic regions subject to the social security tax have also multiplied. Since the additional coverage provided by the amendments of 1965 took effect, virtually every employed person in continental United States and its outlying areas has been covered by OASDHI or by similar government systems.

Associated with the expansion in coverage and rate-base increases has been a comparable growth in OASDHI tax collections, both in absolute terms and relative to pertinent economy-wide measures. Collections have increased markedly, from \$1.0 billion in 1942 to \$10.6 billion in 1960, and to an estimated \$38 billion in fiscal 1970, more than tripling in the past decade alone.

In relation to measures of the total economy, the role of social security taxes has also gained significance. For example, they have risen from less than one percent of personal income in the early years of the program to 4.5 percent

in 1969, roughly a five-fold increase in relative importance.

This growth in social security taxes has also restructured the pattern of Federal tax collections. In the mid-forties, the social security tax accounted for less than 3 percent of all Federal tax revenues. Currently collections for this tax make up nearly one-fifth of the total. During the past decade social security tax receipts have grown at a rate over twice as rapid as individual income tax revenues and more than three times as

fast as corporate income tax collections. Amounting to less than one-half the yield of the corporate income tax in fiscal 1960, social security tax collections are expected to exceed those from the corporate income tax by fiscal 1971.

Benefit payments have similarly risen to prominence as a component of Federal budget outlays. For fiscal year 1971, it is estimated that OASDHI benefit payments will amount to 35 percent of all Federal expenditures for domestic purposes.

**Table 1**  
**Old-Age, Survivors, Disability, and Hospital Insurance:**  
**Tax Rates and Maximum Tax<sup>a</sup>**  
**As of March 1, 1970**

Year	Maximum taxable base	Tax rate combined <sup>(b)</sup>	Maximum tax	
			Combined employer-employee <sup>(c)</sup>	Employee only <sup>(c)</sup>
1937-1949	\$3,000	2.0%	\$ 60	\$ 30
1950	3,000	3.0	90	45
1951-1953	3,600	3.0	108	54
1954	3,600	4.0	144	72
1955-1956	4,200	4.0	168	84
1957-1958	4,200	4.5	189	95
1959	4,800	5.0	240	120
1960-1961	4,800	6.0	288	144
1962	4,800	6.25	300	150
1963-1965	4,800	7.25	348	174
1966	6,600	8.4	554	277
1967	6,600	8.8	580	290
1968	7,800	8.8	686	343
1969-1970	7,800	9.6	748	374
1971-1972	7,800	10.4	811	406
1973-1975	7,800	11.3	881	441
1976-1979	7,800	11.4	899	445
1980-1986	7,800	11.6	905	452
1987 and after	7,800	11.8	920	460

a. Disability insurance not included until 1956; hospital insurance, not until 1966.

b. Beginning in 1951, the self employed covered by the system were subject to a rate equal to three-quarters of the combined rate on employer and employee.

c. Rounded to nearest dollar.

Source: Social Security Administration.



## 2. The Future Role of Social Security\*

The basic philosophy under which social security has operated in the more than three decades of its existence has been that it should provide a basic floor of protection on which individuals can build through their own efforts. If the social security floor-of-protection concept is changed so that it provides a full measure of economic security to virtually the entire population, the entire social and economic lives of everybody will be greatly affected.

It can rightly be said that the floor-of-protection concept has been maintained over the more than three decades of social security. The level of benefits and the maximum amount of earnings taxable have increased in terms of dollars, but—as is really significant—not to any extent relative to the trend of prices and wages. The Executive Branch has almost without exception carefully safeguarded the financial position of the program by attempting to assure that sufficient funds would be available to meet future costs, not only in the next few years, but also in the long run. Congress, too, has considered financial soundness to be of the utmost importance.

Furthermore, Congress has been deeply concerned about maintaining the floor-of-protection concept. Frequently, when Congress considered recommendations of the Executive Branch, the proposals were amended or re-written so as to moderate them considerably. Seldom has Congress passed legislation exceeding a President's proposals.

Not everybody believes that social security should be only a basic floor of protection, although, in my opinion,

most people hold this view. Employers and workers are quite willing to pay the social security taxes to provide this floor of protection against basic economic risks. But there is considerable question, especially among younger workers, as to whether this tax cost should be drastically increased to expand the program fully and at the same time to replace parallel efforts in the private sector.

The real differences of opinion arise in respect to the future course of social security and its relative importance in the economic-security picture. Labels of categorization are often difficult to define because of the possibility of slanting the argument by the nomenclature adopted. Nonetheless, let me designate as "moderates" those who believe that the present system is reasonably adequate and plays a proper role in our society. Such viewpoint, of course, recognizes that modifications in the program will be necessary in the future, primarily to keep the system up to date with, or to reflect changes in, economic, demographic, and social conditions, and also to remedy any significant problems.

On the other hand, there are the "expansionists," who believe that the social security program should provide the full economic security for the vast majority of the population (say, all but 5 or 10 percent). The expansionists hold the philosophy that private efforts in the economic security field have little likelihood of success. A vivid example of this was in the late 1930s and in the 1940s, when the advocates of national health insurance proclaimed that voluntary insurance could not have any significant impact in providing health insurance protection for persons of all

\*By Robert J. Myers, Chief Actuary, Social Security Administration, U.S. Department of Health, Education, and Welfare. This article is reprinted from *Tax Foundation's Tax Review*, November 1969.

ages. Despite this, the developing experience has shown otherwise..

The expansionists have the deep belief that social security should be predominant, or virtually monopolistic, in the economic security field. Accordingly, if their goals are attained there would be little need for private life insurance, individual savings, or private pension plans, except for persons with very high earnings.

Specifically, in the cash benefits area, the expansionists would increase the maximum earnings base that is creditable for benefits and that is taxable to about \$15,000 per year currently and would adjust this base upward automatically in the future as wages rise. This course would be followed so that full economic security could be provided under social security for virtually all people.

On the other hand, the moderates point out that, over the past two decades, the earnings base has been maintained at approximately the same level relative to earnings (see accompanying table). They believe that this relationship should be continued in the future. Accordingly, if a change is to be made for 1970, an increase to \$8,400 at most is warranted, while under this theory, if the change is first effective for 1972, it should be to \$9,000.

The expansionists argue that a \$15,000 earnings base for 1970 and a \$16,300 base for 1972 would merely restore the situation to what it was in 1937. The moderates reply that Congress re-examined this matter in connection with the 1950 amendments and decided that the depression-influenced original basis was not proper. Further, Congress has reaffirmed this action in all subsequent amendments.

Employer contributions under expansionist plans would be based on the entire payroll, without any maximum taxable earnings base. Moreover, the employer contribution rates would be double those for employees, instead of the present equal-rate basis. To make the greatly increased financing more "palatable" the expansionists strongly favor a government contribution out of general revenues in an amount equal to 50 percent of the combined employer-employee contribution receipts. At present, except for certain transitional provisions and except for the voluntary-individual Supplementary Medical Insurance program, the government makes no contributions to the program. A government contribution of this type is, of course, a very easy and simple way to increase the benefit level significantly without any apparent direct tax cost to anybody.

Since a government contribution on the combined employer-employee contributions would involve an annual cost to the general treasury of \$15 billion or more, the approach of gradualism is sometimes suggested by the expansionists. Instead of an immediate 50 percent matching, continuing in all future years, a graduated basis is proposed. For example, the matching proportion could start at a modest 5 percent and increase slowly each year until attaining the ultimate level of 50 percent (or more).

In the field of financing, the moderates believe that the primary sources of any additional financing necessary are the savings to the system due to the rising trend of general earnings and to the increases in the maximum taxable earnings base required to keep it up to date with this trend. Then, any further financing needed should come from increasing equally the contribution rate

**Table 2**  
**Proportion of Total Earnings**  
**in Covered Employment Covered**  
**by Various Taxable Earnings Bases**

Year	Earnings Base	Proportion of Earnings That is Taxable
Actual Experience for First Year for Which Base Was Effective		
1937	\$3,000	92.0%
1951	3,600	81.1
1955	4,200	80.3
1959	4,800	79.3
1966	6,600	80.2
1968	7,800	83.6
Projected Experience for 1970 and 1972 Under Present Base and Under Various Possible Bases		
1970	\$7,800	78.9%
1970	8,400	81.2
1970	9,000	83.0
1970	15,000	91.9
1972	7,800	76.2
1972	8,400	78.7
1972	9,000	80.8
1972	15,000	90.9
1972	16,300	91.9

on workers and employers, but this should be done with restraint and caution. Such procedure would make the real increases in the cost of the program readily apparent to all. In no instance, according to the view of the moderates, should the additional financing come from an increase in the earnings base beyond that called for by changes in the general level of earnings or from introducing a government contribution.

Next, the expansionists would double the present benefit level – possibly and perhaps necessarily using the “ratchet” approach of asking for a 50 percent in-

crease first and then continually pressing upward from whatever was actually enacted. Once these two steps had been achieved there would be little need for private economic security efforts for the vast majority of the population.

The expansionists have many other goals in addition to raising the level of cash benefits. They would expand the present “permanent and total” disability benefits so that this part of the program would become a short-term, temporary sickness plan as well. This step would eliminate the sizeable existing network of private protection in this area – sick leave plans, private health insurance, and short-term savings for this purpose.

The expansionists also have extensive goals in the medical care field. Medicare would be extended not only to social security beneficiaries under age 65, but much more importantly, to the entire population. Cost-sharing provisions would be lessened or eliminated on the ground that they serve as financial barriers that keep people from getting necessary services. The moderates, in rebuttal, say that the problem of the costs of medical care for persons under age 65 can largely be handled through the private sector and that certain cost-sharing provisions are desirable to prevent overutilization and are not in such amounts that most persons cannot afford to meet them out of their own pockets.

It may be said, insofar as the moderates’ viewpoint is concerned, that a governmental program of retirement benefits should provide only a certain level of benefits, available to the vast majority of people who retire from gainful employment. Such level of benefits should be sufficient so that, with real estate and other assets normally accumulated, the vast majority of beneficiaries will be

able to have at least a reasonable subsistence.

This, of course, is still not a precise mathematical formula for measuring whether a floor of protection is being provided — and such is not really ever possible. A good, although rough, indicator is the proportion of persons receiving social insurance benefits who require supplementation through public assistance payments. Many persons believe that if less than 10 percent of social security beneficiaries fall in such category, the level of benefits is adequate and that this is a reasonably good yardstick of the adequacy of social security benefits. At present, this ratio is only about 7 percent, so that, even if we recognize that public assistance programs in some states may be somewhat inadequate, the test is readily met.

The position of the moderates is that, if a small minority have needs beyond the protection provided by social insurance, the solution is not to raise social security benefit levels, but rather to have adequate supplementary public assistance. This is especially so when a substantial proportion of the minority involved is of a transitional nature, such as cohorts who were not covered under the social security program during their working lives, or who were not covered as extensively under private pension plans as is the case for current workers, or who were adversely affected by the depression of the 1930s and could not as readily accumulate individual resources as could individuals who began their working careers in the 1940s and later. Of course, there will always be a small residual of persons who have only sporadic employment during their working lives or who have unusual needs, and in these cases public assistance will be necessary.

The moderates favor continuation of the present self-supporting basis and thus oppose a government subsidy to social security. They argue that the introduction of a government subsidy would seriously weaken the cost controls over the program and that, because of budgetary or political reasons, the government subsidy might at some times not be paid in the amount required. Thus, it is not inconceivable that reliance on a government subsidy for financing a large portion of social security could lead to partial repudiation of benefit obligations.

Also arguing against government subsidy financing is that pressure would grow to restrict benefit payments to those with low incomes, since there is some question of partially financing benefits for people with large incomes from general revenues. If some sort of a means test were introduced into social security, there would be a deleterious effect on private insurance and savings. Many people would then find it not worthwhile to have income from such sources since it would essentially mean a corresponding reduction in Social Security benefits.

If the expansionist goal for increasing the level of social security benefits is achieved, the consequences must be clear to anyone. Not only would there be the direct effect of eliminating most private sector efforts in the economic security field, but also a most significant effect on our national economy would occur. Private insurance and savings would be greatly reduced. This, in turn, would result in a shortage of investment funds for private industry to maintain and expand its economic-productivity activities. Accordingly, private industry would have to turn more and more to the government for such funds, and this

could well mean increasing governmental regulation, control, and even ownership of productive activities.

The social security expansionists frequently place the moderates in a difficult debating situation. The expansionists attempt to set the conditions for the debate on the hypothesis that one is either for or against social security, and that if one is in favor of social security, then one must therefore support a complete expansionist approach. The expansionists thus try to take the position that all those who do not agree with them believe that social security should be repealed!

Quite naturally the moderates do not fall in either of these two extremes. They believe that the program should be kept up to date with changes in economic

conditions. They further believe that the operation of the program should be continuously studied and that changes should be made from time to time as they are found necessary. These changes would generally, but not always, be in the direction of expanding the scope of the program. Any such action should be taken carefully and thoughtfully and only when it is found that the problem is not being reasonably satisfactorily handled through the private sector.

Despite the expansionist philosophy, there is a choice that can be made as to the future role of the social security program. The public is entitled to hear all sides of the question as to how much economic security should be provided through social security and how much should be provided through the private sector.

### 3. Issues in Future Financing of Social Security\*

The pressure to liberalize social security benefits is likely to continue, bringing with it a continued increase in social security taxes. This prospect raises important questions:

- (1) Is the tax burden of benefits to the aged likely to become unduly heavy?
- (2) More specifically, is the burden of taking care of the aged likely to strain the limits of the payroll tax? In other words, has the payroll tax about reached the upper limit to which it can be pushed?
- (3) Have we substantially abandoned the contributory principle in favor of a "social adequacy" concept in OASDI programs?

(4) What are the alternatives in attempting to resolve the conflicts between "social adequacy" and the strains of increasing payroll taxation?

Professor Eveline Burns of Columbia University has distinguished three stages in the evolution of social insurance in most western countries.<sup>1</sup> The first she described as follows:

... the initial form in which social insurance bore everywhere the imprint of its private insurance analogy. Benefits were closely related to contributions; equity, rather than adequacy, which scarcely came into question, was emphasized; coverage was limited to the best risks with sizable previous employment records; and the costs were assessed solely on the potential beneficiaries and their employers.

\*Material in this section is adapted from a Tax Foundation publication of the same title, Research Publication No. 11, 1967.

1. *Canadian Tax Journal*, July-August 1966, pp. 326-336. Professor Burns had originally set out these stages in a paper, "Social Insurance in Evolution," *American Economic Review Supplement*, Vol. 34, No. 2 (March 1944), pp. 199-211.

Stage II she described as characterized by:

. . . almost irresistible pressures to extend coverage — to additional persons and additional risks — and these extensions would in turn modify the principles and policies governing eligibility, benefits, and methods of financing. As the poorer and more irregularly employed were brought into the system, the strict relationship between benefits and earnings would become evermore untenable because of the necessity to insure a meaningful benefit to covered workers with low earnings. [The latter part of Stage II would be marked by consideration of] . . . the desirability of a contribution from the general revenues . . .

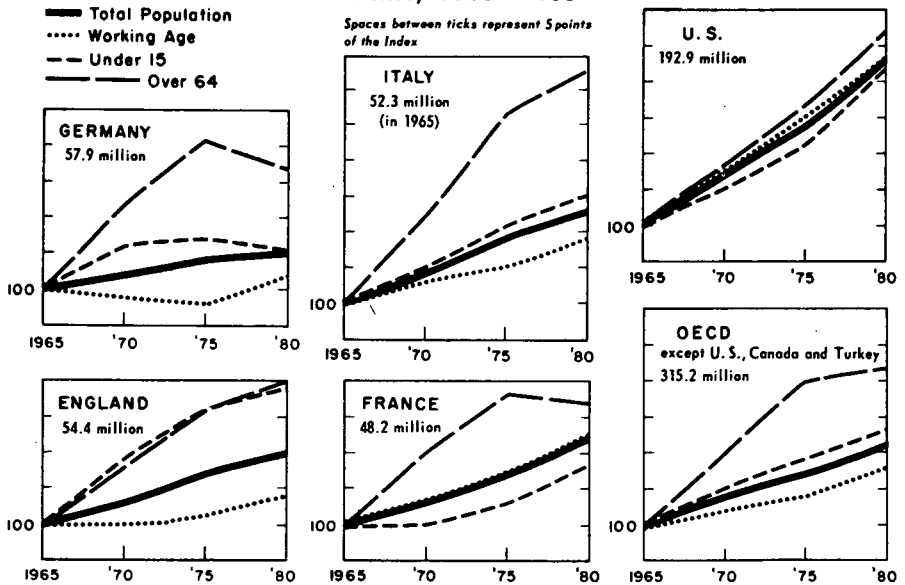
Finally, Stage III would be reached when:

. . . thanks in large measure to the wide spread of social insurance, there was general acceptance of the doctrine of public assurance, without a means test, of a minimum income for all.

The evolution Professor Burns has described is certainly not immutable. While it is not an exact description of the growth of social security in the United States, her outline does indicate possible directions of change. The present study is mainly concerned with the question of alternatives to following such stages further in the United States. The focus

Chart 1

**Growth in Population  
U. S. and Key European Countries  
Indexes, 1965 = 100**



Note: Projections by Organization for Economic Cooperation and Development  
 Population excludes migration. Data as of January 1 of years shown.  
 Sources: OECD; The Conference Board

is on questions of long-term financing of OASDI programs.

In summary form the answers suggested to the major questions listed above are as follows:

(1) *The future tax burden for the aged.* The most recent population projections indicate that the ratio of people aged 65 and over will remain nearly a constant proportion (about 18 percent) of the population aged 20 to 64 through 1985. Thus the burden on the working population will depend primarily on the extent to which retirement and other benefits to the aged are increased in relation to average wages and salaries. Unlike some other countries, the United States is not currently in the position of having to shoulder an increasing tax burden because of a substantial rise in the proportion of the aged to the working population. (See Chart 1.)

(2) *Is the burden of taking care of the aged likely to strain the limits of the payroll tax? Has the payroll tax about reached the upper limit to which it can be pushed?*

While the proportion of the aged to the working population will not change substantially in the next few decades, it is likely that Congress will endeavor to liberalize benefits further. Increased benefits could mean increases in payroll taxes in excess of those already scheduled. Besides raising tax burdens, such changes might well limit provision for old age and disability through private alternatives.

Under present law the combined employer-employee tax on taxable wages up to \$7,800 is \$748, and the amount is scheduled to rise to \$920 in 1987 (see Table 1). The employee pays \$374. These are heavy taxes on an income of

\$7,800 or less. By way of comparison, for a family earning \$7,800 in 1969, with two children, the social security tax would be nearly half as large as the Federal income tax. For a similar-sized family, with earnings of \$5,440, the social security tax of \$374 would be equal to the Federal income tax. Four-person families below that income level would pay more in social security tax than in income tax.

The employee also bears some part of the employer's portion of the tax whether the tax is assumed to be shifted forward in the prices of goods and services or to be shifted backward in the form of lower money wages. (It is also possible that some portion of the tax falls on profits and other non-wage income.)

Moreover, a combined payroll tax at present and scheduled levels is likely to have significant effects on business decisions on investment in capital equipment, and on the hiring of unskilled workers. Such a tax on labor may intensify problems of unemployment or partial unemployment among those groups whose unemployment rate is already high.

The level of the payroll tax may be limited by another type of consideration. It would not be reasonable, in the view of many people, to levy social security payroll taxes at a rate in excess of what benefits of a similar nature would cost if the employee were able to provide them through private forms of saving and insurance.

The payroll tax has risen to such a level that if a young worker today, with earnings at least equal to the maximum taxable base, computed the total of his expected payroll taxes plus interest over his lifetime, the value of his "contributions" would in many cases substantially

**Table 3**  
**Monthly OASI Benefit as Percent of**  
**Monthly Wages<sup>a</sup>**

Average monthly taxable wages	1969 Law	
	Monthly benefit	Benefit as percentage of taxable wages
\$76 or less	\$ 64	84.2
\$100	82	82.0
\$200	117	58.5
\$300	146	48.7
\$400	177	44.3
\$500	204	40.8
\$600	235	39.2
\$650	251	38.6

a. Primary insurance amount for single individual, retiring at age 65.

Source: Federal Tax Reform Act of 1969. Computations by Tax Foundation.

exceed the discounted value of his expected benefits.

While experts differ in their views of how these calculations should be made, such comparisons suggest a definite kind of limit to payroll taxes. Young workers who begin to find themselves in this situation can be expected to offer more and more objection to increased payroll taxes.

A general economic question is also involved. It concerns allocating to social insurance, through payroll taxes, resources that would have more value in the purchase of private insurance and pensions.

The significance of such a limitation may be disputed by those who point out that the insurance analogy is a very loose one and the objective of "social adequacy" is more important. This leads to the third major question dealt with in this study:

(3) *Have we substantially abandoned the contributory principle in favor of a*

*"social adequacy" concept in OASDI programs?*

From the beginning, the old age and survivors insurance program was a mixed system aimed in part at relating contributions to benefits ("individual equity") and in part at making benefits "adequate" in terms of rough standards of minimum consumption levels. These two concepts of "social adequacy" and "individual equity" are generally conflicting, because very low income groups cannot be expected to pay a full "price" for the benefits provided under social security.

The old age benefit structure, moreover, is heavily weighted in favor of those with low earnings records. The old age retirement benefit ("primary insurance amount") amounts to 82 percent of average monthly covered wages of \$100, but less than 40 percent of average monthly covered wages of \$650. (See table 3.)

In addition, the provisions for minimum amounts of monthly benefits give the system a strong emphasis on social adequacy.

In short, while we have not entirely abandoned the contributory principle in that benefits and administrative costs in the aggregate are paid for through payroll taxes, the financing of these programs has, in the course of time, put less emphasis on the relation between the *individual's* contributions and the benefits *he* will receive.

(4) *What are the alternatives in attempting to resolve the conflicts between "social adequacy" and the strains of increasing payroll taxation?*

Recent debates and pressures for change suggest various courses of action in OASDI financing. Although the following by no means exhaust the possi-



bilities, four major alternatives are examined:

(a) Continue approximately the present balance between the objectives of social adequacy and individual equity.

(b) Provide a general revenue contribution to OASDI trust funds with a probable increase in the emphasis given to social adequacy.

(c) Modify the payroll tax by substantially increasing the maximum taxable wages or by introducing an exemption to reduce the burden on low income groups.

(d) Separate the benefits schedule into two portions, one of which would be closely related to contributions on an individual equity basis, and a second which would explicitly be based on adequacy considerations and be financed separately by general revenues.

The choice among these alternatives depends in part on value judgments concerning the relative importance of the objective involved. However, technical and economic issues are also involved. The chief issues of both kinds are in brief as follows:

(a) *Maintaining the present system.* Through a long political process the United States has developed a social insurance system that provides a working balance between the objectives of adequacy and individual equity. This balance is being strained as the payroll tax burden grows. Some view this "strain" as a useful restraint on excessive expenditures for benefits.

On a more technical level, the present system of payroll tax financing contains an important fiscal control device. The system generally requires the levying of

additional payroll taxes at the same time that increased benefit levels are adopted, and the taxes are set so as to meet expected benefits and administrative costs over a long period.<sup>2</sup> This is a device that is often absent in the Federal government's general budget.

Until recently, however, the payroll tax was relatively low. The increase in benefits may have seemed of more significance to the public generally than the increase in taxes.

The attitude toward payroll taxes could change markedly. At current and prospective payroll tax levels the conflict between the objectives of "more adequate" benefits and "individual equity" is becoming more evident. Benefits might be held to levels that can be financed at present tax rates. If not, problems in present financing methods will demand more attention.

(b) *Providing a general revenue contribution.* Many who argue for a general revenue contribution do so because they want a large increase in social security benefits. They see such a contribution as a means of raising benefits to more "adequate" levels in relation to minimum family budget standards.

Moreover, it is argued that not only is the payroll tax high, but that this is a poor way to finance increases in benefits. An increased emphasis on social adequacy would more logically be achieved through taxes based on "ability to pay."

Historically, another argument has been used for a general revenue contribution. It is that in the transitional stage to a "mature" social insurance system, most people become eligible for benefits even though they have not "contributed"

2. This principle was not precisely followed in 1969, however, when a 15 percent increase in benefits was approved but consideration of a tax increase was postponed until 1970.

anything like the full cost of those benefits. Until most workers have contributed during a full working lifetime at rates commensurate with the benefits they will receive, there is a large windfall accruing to current beneficiaries. This windfall, it is argued, constitutes an "unfunded liability" the burden of which should be borne by all taxpayers through general revenues rather than through the payroll tax alone. Use of the payroll tax is largely justified by the relation between an individual's contributions and his benefits, so that the "redistribution" in favor of current beneficiaries receiving windfalls should be met by a general levy.

(c) *Modifying the payroll tax.* Another proposal would modify the payroll tax to make it more like an income tax: to allow personal exemptions and to increase substantially the maximum wage base. Such changes would relate the tax burden more closely to "ability to pay." There would be a considerable increase in the extent of redistribution by income class through social security.

A higher maximum wage base would also mean increased benefits. Under the present benefit structure, which is heavily weighted in favor of those with low earnings records, a higher maximum tax base would serve to increase the emphasis on social adequacy. Benefits would go up for those earning as much or more than the maximum taxable wage, but not in proportion to the increase in wages or payroll taxes.

Such an alternative would depart further from the contributory, or "individual equity," basis of financing.

(d) *Separating the benefit schedule and its financing into two portions.* The conflict between the objectives of social

adequacy and individual equity suggests the alternative of separating the major elements in OASDI programs designed to meet these different objectives: one which would emphasize "insurance" elements, and another which would emphasize welfare or adequacy elements. Numerous problems would be involved in such a "two-tier" system, however.

In conclusion, the evidence seems clear that a separation of "welfare" and "insurance" elements in OASDI programs would represent a most radical revision in existing financing principles. It would mean a departure from the principle of "self-support" through exclusive reliance on payroll taxes, and from the fiscal control element that goes with this principle. Moreover, the strict application of the "individual equity" principle to the insurance element in a compulsory social insurance system with nearly universal coverage is of dubious practicality.

A general revenue contribution, however set up or rationalized, is likely to remove the necessity for relating the tax levy directly to the benefits to be financed. Moreover, if a general revenue contribution came in substantial part from the corporation income tax, rather than from the individual income tax, there would be little advantage in equity, and hence no justification for such a shift.

Modification of the payroll tax, either by introducing an exemption, or substantially raising the maximum tax base, or both, would retain the fiscal control features of the present system, but would shift a large part of the tax burden to middle and upper income groups, who would benefit least from such a revision. The contributory justification of payroll tax financing would be weakened. In

addition, substantially raising the maximum tax base, and thereby benefits as well, would narrow the possibilities for growth in private pension plans.

Maintaining approximately the exist-

ing balance between the objectives of "social adequacy" and "individual equity" would, with rising payroll taxes, emphasize the fiscal control feature, and also retain the wage-related, contributory feature in its present form.

#### 4. Economic Aspects of the Social Security Tax\*

Differences in taxes can give advantages to particular forms of business organization, to particular industries, to certain forms of financing, to various business practices, to some areas — all of which then become more attractive to decision-makers than their true value to the economy warrants.

As a tax which is related to only one kind of business cost, labor, the social security tax seems certain to tempt producers to rearrange the ways in which they combine the factors of production, merely to reduce the tax liability (particularly when the employer's rate rises to the scheduled 5.9 percent). If so, consequent economy-wide losses of total satisfaction from the tax-induced pattern of use of the factors may ensue.

##### *Effect on Labor/Capital Ratio*

Since the social security tax applies specifically to wages and salaries, a firm's OASDHI tax liability, generally speaking, will increase in approximate proportion to the number of employees (man hours) it utilizes. Therefore, an employer might be inclined to attempt to reduce his tax bill by introducing or using more labor-saving machinery or other forms of capital (including land) which to some extent substitute for man hours of labor. The feasibility of doing so, however, depends to a considerable

extent on industry conditions.

Four major barriers to such a tax-reducing substitution can arise: technical problems, high absolute cost, financing difficulties, and union resistance to substitution. Technical production problems unique to the industry will often limit or preclude the practicability of labor-saving machinery. For instance, no workable machine has yet been invented to pick grapes; vending machines substitute for clerks only to a limited extent. In some industries — petroleum refining, for one case — the absolute cost of labor-saving machinery can be formidable, whereas in others an almost trivial piece of equipment, such as an electric screwdriver, can result in considerable saving of labor costs. Union resistance to automation has been well documented in some cases and reputedly exerts influence more broadly than the public record reveals.

Assuming such difficulties can be overcome, however, there still remains the question of how many employees a given piece of equipment must substitute for in order to be worth its price. The answer involves several variables: the current price of the contemplated capital equipment, the discounted cost of the equivalent labor over the expected life of the equipment, the effect of the substitution on quality of output, and possible differences in other inputs.

\*Material in this section is adapted from a Tax Foundation publication of the same title, Research Publication No. 5, 1966.

### **Effect on Labor Supply and Quality**

Since the OASDHI tax applies specifically to wages, there seems reason to presume it might affect the quantity and quality of labor. Similarly, benefit provisions might influence the work decisions of beneficiaries. Any such effects would influence the growth of the economy. The possible effects on labor fall into two groups: those which would tend to exert a negative effect, and those which would enhance efficiency in resource allocation and encourage growth.

In the first group fall several possibilities. The OASDHI provisions may create an artificial inducement for workers to retire or work less than full time, or may discourage wives from working — both conditions which would reduce the labor force. There also exists the danger that retired people, in seeking sources of income which will not reduce their OASI benefits, will participate in a distorted pattern of income-earning activities which may not correspond with their natural preferences and capacities — thus leading to a misallocation of resources.

The positive effects include the small possibility that social security provisions may (indirectly) stimulate people to educate and train themselves better, creating a better quality labor force which in turn improves economywide growth. The available quantity of labor may be increased somewhat as workers seek overtime or second jobs to offset the tax increase.

### **Burden of the Social Security Tax**

Rational behavior demands that the taxpayer on whom the tax is assessed will try to cause someone else to bear the burden — a process known as shifting the tax or passing on the burden.

This result might be achieved by increased prices, thus shifting the burden to consumers, or by reducing wages, thus shifting the tax to employees, or by any one of a number of other actions. It may happen that the individual or firm to whom the tax has been shifted will also be able to pass it on, by one device or another, so that a chain of tax-response activity results.

### **Problems of Equity**

Everyone would agree that taxes, representing use of the coercive power of government, should treat similar taxpayers identically, and make adjustments for relevant differences. But agreement is not so easy to find when one comes down to the specific identification of “relevant” differences.

Subjective judgments must play a large part in such decisions. The hope is to develop a tax system which appears to be fair — which taxes people unequally but equitably on the basis of relevant differences.

Several aspects of the social security tax raise questions of equity. These involve such issues as regressivity and tax payment-benefit relationships.

*Burden of the Tax by Income Class.* If one considers only the legal rates of the OASDHI tax, then this levy appears to be proportional up to the point where earnings equal the maximum base, and regressive (i.e., characterized by lower rates on higher incomes) thereafter. It may be more realistic, however, to consider the effective rate on adjusted gross income — reportable income under Federal income tax provisions — for family units. Available data suggests that on this basis, the social security tax probably has a small element of progressivity up to the income level roughly

equivalent to the maximum taxable base, becomes slightly regressive from that point to about \$15,000, and sharply regressive thereafter.

*Tax Payments vs. Benefits.* Defenders of the social security tax have held that the statutory regressivity of the tax is mitigated because the taxes are closely related to benefits.

While ordinarily the uses made of the proceeds of any particular tax need not be taken into account in the analysis of the tax, the argument mentioned in the preceding paragraph raises some interest in the relationship between tax payments and benefits.

Total employee tax payments as a percent of benefits for an assortment of hypothetical beneficiaries who qualified for retirement in 1966 show plainly how different types of taxpayers fare. A single individual or a married man and his working wife come out relatively worst, with total taxes 21.3 percent of 10 years of total benefits. A married man whose wife never worked does quite well, with his taxes coming to only 14.2 percent of benefits, but even better if he has young children when he retires — 12.5 percent in the imaginary case of a beneficiary with teen-age children; 9.3 percent for the man with very young children.

Beneficiaries covered relatively late in the program's history show especially advantageous percentages: 10.0 for a married farm worker and 7.7 for a married serviceman.

*Intergeneration Transfers.* Advantageous ratios resulting from coming into the social security system relatively late represent a windfall which will not recur in the future.

For a single male retiring in 1962, tax payments over his entire working life represent 13.2 percent of the benefits he will receive if he lives out his expected span of years<sup>3</sup>. For a single male retiring in 1965, the figure rises to 17.6 percent, reflecting the longer period in covered employment. By 1970, a yet longer period in covered employment and the higher rates legislated in 1965 combine to increase a retiring single male's tax payment-benefit percentage to 27.2. By 1990, the retiring worker's taxes come close to covering his benefits — 91.3 percent — and by 2010, at 164.9 percent, total taxes exceed benefits by more than \$12,000. (These percentages do *not* take into account payments made in the beneficiary's behalf by his employer; if employer taxes are considered in the computations, percentages will double).

The difference between the percentages in the earlier years and in the later years illustrate the intergeneration income redistribution which will continue to characterize the social security system for many years to come. Even in those industries covered by the system since the outset, it will be some years before retiring employees will have participated in the system their full working life. Taking age 21 to age 65 as a typical span for participation in the labor force, then retiring employees in commerce and industry will not have paid social security taxes over their full work span until 1981; most self-employed, not until 2015; farm self-employed, not until 2019; lawyers and most medical professionals, not until 2020; doctors of medicine, not until 2029, to cite only a few examples. As a consequence, if the system is to be self-supporting under the present form of financing, those who enter the system young must pay more tax relative to

3. Computations based on law extant in 1966.

benefits received than those who enter the system at an older age. In effect, the young subsidize the windfalls accruing to beneficiaries retiring relatively early.

*Benefits as a Percent of Wages.* Monthly benefits as a percentage of average monthly wages illustrate another unevenness of treatment. Although all monthly wages up to \$650 are taxed at exactly the same rate, benefits as a percentage of taxable wages run from 84.2 percent (or more) of the lowest average earnings—up to \$76 a month—to less than half that percentage, 38.6, for earnings of \$650 per month.<sup>4</sup> (See Table 3.)

### **Evaluation and Conclusion**

From time to time the suggestion recurs that the social security system be financed by general revenues in addition to the present payroll tax.

Implicit in the general fund proposals lies the suggestion that the present tax represents a less desirable means of financing the social security system than would heavier use of other taxes.

Advocates of the present system stress the following important advantages:

1. The tax confers a psychic utility, endowing taxpayer-beneficiaries with a sense of security and dignity, rather than the humiliation of having to ask for charity.
2. The tax payment-benefit link may reduce the danger of runaway benefit programs.
3. The tax, per dollar of revenue, is

relatively easy and inexpensive to comply with and administer.

4. The social security system enjoys widespread public acceptance.

The value of the first advantage probably outweighs many disadvantages. Even if the pensioner realizes he has not actually paid in full for his benefits, he experiences a sense of receiving a windfall rather than a dole. Moreover, such psychological advantages spread to the children of the elderly and to society itself. The tax-benefit link reduces, perhaps even eliminates, the burden of guilt many people feel toward those who are less advantaged than themselves. Sons and daughters who might suffer intense embarrassment if their parents went on relief have no particular reaction when their parents apply for OASDHI benefits.

A corollary advantage comes from the routine method by which benefit entitlement depends only on taxes paid and family status. Since no needs test applies, beneficiaries are freed from meddlesome interference in their life-management, and government is spared administrative expense.

Compared with alternative revenue sources which could be used to finance the social security system, the existing payroll tax may look more desirable than when it is examined in isolation.

Taxpayers have presented relatively little resistance to the tax. To date very few have opposed or criticized the OASDHI tax. Whether this condition will continue as higher rates (and possibly a higher base) go into effect remains to be seen.

4. All benefits received are excluded in computing taxable income. The amounts thus escaping inclusion can exceed substantially the earnings on which the employee was taxed. Public discussions of tax reform in 1969 did not include the possibility of bringing the tax treatment of social security benefits in line with the treatment of other retirement income.

## Appendix 3

### ADDITIONAL MATERIAL FROM WITNESSES

#### ITEM 1. LETTER FROM WILBUR J. COHEN, DEAN, SCHOOL OF EDUCATION, UNIVERSITY OF MICHIGAN, ANN ARBOR

THE UNIVERSITY OF MICHIGAN,  
SCHOOL OF EDUCATION,  
*Ann Arbor, Mich. May 19, 1970.*

DEAR SENATOR WILLIAMS: With regard to the Social Security Amendments, H.R. 17550, I have the following comments:

1. I do not favor repeal of the requirement of liberalizing Medicaid. Section 228 of the bill.
  2. I believe the limit on prevailing charge levels of physicians should be lower than 75%. Section 224.
  3. I believe the bill should freeze the Supplementary Part B premium at \$4 a month and combine parts A and B on a new financial basis.
  4. I believe the disabled should be covered under Medicare.
- There may well be other changes I would like to suggest after I have had more time to review the bill.

I have not had sufficient time to study your proposal on an Institute on Retirement Income. I will do so and let you know.

Sincerely,

WILBUR J. COHEN, *Dean.*

#### ITEM 2. LETTER FROM NELSON H. CRUIKSHANK, PRESIDENT, NATIONAL COUNCIL OF SENIOR CITIZENS, WASHINGTON, D.C.

NATIONAL COUNCIL OF SENIOR CITIZENS, INC.,  
*Washington, D.C., May 25, 1970.*

HON. HARRISON A. WILLIAMS, JR.,  
*Chairman, Senate Special Committee on Aging,  
New Senate Office Building,  
Washington, D.C.*

DEAR SENATOR WILLIAMS: This is in reply to your letter of May 11 in which you commented on my working paper, "Stake of Today's Worker in Retirement Security" and the remarks I made following its introduction to your Committee on May 4.

I was sorry, too, that it was not possible for you to remain in the Chair during this discussion, but I thoroughly appreciate the necessity for your taking testimony from Secretary Schulz at that time.

The principle of contribution to the Social Security system out of general revenues is not as new nor so much of a departure from precedent as is generally assumed. The desirability of such contributions was recognized by the Committee on Economic Security, appointed by President Roosevelt in 1934. As you know, this Committee was responsible for developing the outline of the Social Security Act which was adopted by Congress the year following. Dr. Edwin E. Witte, the Executive Director of this Committee, in his book, "The Development of the Social Security Act" (page 148) states the following:

"The Committee on Economic Security was told by its staff that the taxes currently collected would not meet the costs of benefits after 1965 and it accepted the idea that the deficits resulting thereafter should be met from general tax sources. In all discussions preceding the Committee's final decision on

(1971)

the recommendations it should make on old age security, the plan recommended by the staff was discussed in terms of larger benefits to workers approaching old age that could be paid for through their contributions and those of their employers, with the United States Government ultimately making up the resulting deficits from general tax sources."

After consultation with the President and the then Secretary of the Treasury, Mr. Morgenthau, the recommendations were revised to make the plan completely self-supporting. Nevertheless, it was recognized that such a self-supporting plan would require the building up of huge reserves during the early life of the program.

The system had not long been in existence until it was recognized by many Members of Congress that the size of the reserve was a serious criticism. Numerous amendments were adopted from time to time which froze the contribution rates, thus preventing the building up of reserves. In 1943 the Congress recognized that they could not have it both ways and an authorization was approved by Congress for making contributions out of the general revenues of the government to the Social Security system if the lower contribution rates were not sufficient to meet the benefits provided in the Act. Largely because of the unanticipated rise in wages during World War II, the limited contribution rates proved to be sufficient and this authorization was never put into effect. It was repealed in 1950 when a new schedule of higher rates was adopted. Nevertheless, it is still true that the Congress, some 27 years ago, did recognize that under some circumstances, contributions to the Social Security system out of general tax revenues would be desirable.

This principle was again recognized in 1956 when Congress approved a special authorization for payments out of general revenues to pay for the cost of blanketing-in the military.

Again, in the 1965 Act there were two such provisions—first, to cover the cost of hospital insurance benefits for individuals not fully insured and who were not Railroad Retirement beneficiaries. Secondly, contributions from general revenues were authorized to match the payments for supplemental medical insurance voluntary enrollment. Finally, in the 1967 Act, authorization for payment out of general revenues was provided for the cost of benefits for transitional, non-insured individuals who had less than three quarters of coverage.

One of the best statements in support of this principle was made as early as 1949 in the Report of the Advisory Council on Social Security to the Senate Committee on Finance (Senate Document No. 208, 80th Congress, 2nd Session, page 13). This Advisory Council was chaired by the Honorable Edward R. Steffinius, Jr., former Secretary of State and then Rector of the University of Virginia and included in its membership some of the ablest economists and most informed people in the field of social insurance. Among them were Dr. Sumner H. Slichter, Lamont University Professor at Harvard; Dr. J. Douglas Brown, Dean of the Faculty, Princeton University; Malcolm Bryan, Vice Chairman of the Board of the Trust Company of Georgia; the Honorable Marion B. Folsom, Treasurer of the Eastman Kodak Company and later Secretary of the Department of Health, Education and Welfare; Mr. M. Albert Linton, President of the Provident Mutual Life Insurance Company; Mr. Delos Walker, Vice President of R. H. Macy and Company and Miss Mary H. Donlon, Chairman of the New York State Workmen's Compensation Board. On this question the Council stated:

"The Council believes that old-age and survivors insurance should be planned on the assumption that general taxation will eventually share more or less equally with employer and employee contributions in financing future benefit outlays and administrative costs. Under our recommendations, the full rate of benefits will be paid to those who retire during the first two or three decades of operation even though they pay only a fraction of the cost of their benefits. In a social insurance system, it would be inequitable to ask either employers or employees to finance the entire cost of liabilities arising primarily because the act had not been passed earlier than it was. Hence it is desirable for the Federal Government, as sponsor of the program, to assume at least part of these accrued liabilities based on the prior service of early retirees. A Government contribution would be a recognition of the interest of the Nation as a whole in the welfare of the aged and of widows and children. Such a contribution is particularly appropriate in view of the relief to the general taxpayer which should result from the substitution of social insurance for part of public assistance."



There is an excellent and more up-to-date discussion of this principle contained in a book, "The American System of Social Insurance: Its Philosophy, Impact and Future Development." This book is a record of a symposium on Social Security held at Princeton in June, 1967, in honor of Dr. J. Douglas Brown, Provost and Dean of the Faculty Emeritus at Princeton University. Chapter 3, entitled, "Financing Systems of Social Security," is by Dr. Otto Eckstein, Professor of Economics, Harvard University.

Your second question was: "What more can be done at the Federal level, do you think, to educate the public about issues related to the retirement test? Your essay on that subject is the best thing I have seen on it. But I wonder whether direct action should be taken by the Social Security Administration in the years before retirement."

It has long been my belief that the Social Security Administration could do more to educate the public not only about this important matter about the retirement test and the role it plays in our whole social insurance system, but about the purposes and structure of our Social Security program generally. We seem to have some fear about government agencies telling the public about programs—particularly if the information is put in attractive, readable, popular form and widely distributed. I recognize that government agencies should not be allowed to "advertise" or propagandize the public for their programs. The needs of such restraint, however, can well be kept under the control of Congress and it would seem to me that it would be entirely possible to have a Committee of the Congress—possibly the Senate Committee on Aging—review materials prepared by the Social Security Administration explaining the program. Support for the program can only come when it is widely understood and accepted. When I have visited foreign countries I have been impressed by the fact that they do a better job than we do in making known the purposes and the principles of their programs of social welfare. When in England, for example, one notes that in every local post office there are racks with pamphlets for free distribution which explain their health program and their Social Security programs. I think we need to lose our fears about getting word widely distributed among the population about what these programs are for and why Congress has included some provisions like the retirement test which are not readily understood.

In answer to your third question, I would say that an extension of the Senior Aides program would undoubtedly reduce pressures for broadened income maintenance programs for some elderly. But we have to remember that as years progress, older people cannot all engage even in these more limited activities. It is highly desirable to give those among the elderly who can still be active opportunities to use their skills and their wisdom in socially useful work.

As I indicated on the TODAY show, I think in the main these activities should be outside the market. That is, they should be useful, but not competitive. In our market-dominated society we are prone to think the value of an article or of a service is the same as the price it will bring in the market. But there are many things and many services that have a social value on which no market value can be placed. Our Senior Aides are discovering some of these. What price, for example, can be put on searching out and finding some lonely old lady who needs only to have a hot meal occasionally in company with another person to keep her from falling into despondency and hopelessness? What price can be put on the satisfaction a group of blind elderly receives who gather in a public library to have read to them the morning paper and selected articles from current magazines, thus keeping them in touch with their world from which they would otherwise be isolated?

After people have made their contribution to our market economy by forty or fifty years of hard work they should have a retirement income that frees them from the necessity of the pressures of our economy and permits them to create other values—those related to their social usefulness. Programs of these kinds meet three important criteria for retirement activity:

(1) They adjust readily to the pace and the physical capabilities associated with advancing years

(2) They use the wisdom, understanding and experience of the elderly which often increase as physical strength and endurance decline.

(3) They avoid subsidizing older workers in work programs that are in competition with enterprises on whose wages younger workers depend for a living.

I appreciate the opportunity of addressing myself to the thoughtful questions contained in your letter. It is most encouraging to know that you, as Chairman, and other members of the Senate Committee on Aging, are giving

so much thought and effort to understanding the needs of our older citizens and to developing programs for meeting those needs. All of us in the National Council of Senior Citizens are grateful to you for these efforts.

Sincerely yours,

NELSON H. CRUIKSHANK, *President.*

ITEM 3. LETTER FORM ELIZABETH D. KOONTZ, DIRECTOR, WOMEN'S BUREAU, WAGE AND LABOR STANDARDS ADMINISTRATION, DEPARTMENT OF LABOR

U.S. DEPARTMENT OF LABOR,  
WAGE AND LABOR STANDARDS ADMINISTRATION,  
WOMEN'S BUREAU,  
Washington, D.C., May 26, 1970.

DEAR SENATOR WILLIAMS: This letter is in response to the very pertinent questions you raise relative to the pamphlet "Jobfinding Techniques for Mature Women."

You ask about employment opportunities for older rural women versus urban dwellers. Admittedly, the opportunities are less in rural areas. Hospitals and nursing homes are among the largest employers of mature women in rural areas and small towns. However, for many women past 55, this work is too arduous, since most jobs require continuous standing. Many middle-aged and older women have part-year work in canning and food freezing plants. Through Operation Mainstream the Federal government has provided a model employment program especially for older workers in rural areas and small towns. Unfortunately, only a small proportion of those who need and want these opportunities can be accommodated, due to budget limitations.

Each State Employment Service headquarters has an Older Worker Specialist and in many States they provide "outreach service" to help those distant from the local offices. On page 18 of the pamphlet we provide information about this service and how to get in touch with the Older Worker Specialist.

Your second question about the woman aged 60 and over, seeking a service or sales job is very well-taken. Before developing the pamphlet we discussed the contents with Federal and State Employment Service personnel who specialize in older workers. They felt that even a crude resume from an applicant for any job is helpful not only in expediting the intake process but also in creating a positive initial relation between the intake interviewer and the applicant. It also helps insure that the woman will fill out the company's application blank more accurately and easily than if she confronts it "cold," without prior thought or opportunity to locate essential information. However, we do feel that you are right and that a brief paragraph should be inserted in the first revised edition indicating that for certain types of jobhunting a resume is not essential.

We also agree that a "Jobfinding Techniques" pamphlet for women aged 60 and over would be desirable. This would be quite different in structure and content from the present pamphlet which was designed for the largest group of mature women jobseekers—those in their 40's and 50's.

We are most grateful for your concern and most helpful comments and will welcome any further suggestions.

Sincerely,

ELIZABETH DUNCAN KOONTZ,  
*Director.*

[Enclosures]

SUPPLEMENTARY STATEMENT OF MRS. ELIZABETH DUNCAN KOONTZ,  
DIRECTOR,

WOMEN'S BUREAU, U.S. DEPARTMENT OF LABOR

In brief testimony presented by the Women's Bureau to the Senate Special Committee on Aging concerning some special aspects of the "Economics of Aging" in relation to women, we made the following points:

1. The life expectancy of women, already longer than that of men, is accelerating at a more rapid rate than that of men, portending an even larger population of women aged 65 and over in the next decades.

2. The "earnings gap between men and women has increased to the point where median year-round full-time earnings of women were only 58 percent that of men in 1968 compared with 64 percent in 1955—resulting in lower Social Security benefits and reduced capacity to save for retirement years.

The increasingly large number of "women on their own," widows, divorced, separated and single women are particularly disadvantaged—as opposed to couples—by lower Social Security benefits and, for the many who were employed, lower earnings and higher income tax brackets while employed.

These factors all contribute to special economic disadvantages for millions of older women. These women have a long way to go in relation to achieving that "full share in abundance" for which this Committee is so commendably concerned on behalf of all our senior citizens. The Women's Bureau through hundreds of letters received from older women workers, who are dismayed by the prospects of retirement on almost negligible income, as well as from those already retired on "too little to live on," is painfully aware of the dire economic straits of countless older women in our affluent society.

It is significant to note that when the Social Security System was devised, most women in their 50's and 60's were not in the labor force. Between 1947 and 1968 the rate of participation of women in the labor force aged 45 years and older expanded enormously—far more than that of men or younger women. In these years the number of men 16 years of age and over in the civilian labor force rose 16 percent, the number of women rose by 75 percent. The largest increase was among women aged 45 and older. Whereas women aged 25-34 years increased their number in the labor force by 33 percent between 1940 and 1968, those aged 45-54 increased by 236 percent and those aged 55-64 by 328 percent. More than 3 times as many women aged 65 and over—almost a million—were in the labor force in 1965 compared with 1940. Almost 5 million women over 55 years of age were in the labor force in 1968 compared with 1,200,000 in 1940. (Table 1 attached)

TABLE 1.—WOMEN IN THE POPULATION AND LABOR FORCE BY AGE,  
1940 AND 1968<sup>1</sup>

(Women 16 years of age and over)

Age	Number		Percent distribution		Percent increase 1940-68
	1968	1940	1968	1940	
POPULATION					
Total.....	69,910,000	47,769,000	100.0	100.0	46.5
16 and 17 years.....	3,542,000	2,413,000	5.1	5.1	46.8
18 and 19 years.....	3,446,000	2,506,000	4.9	5.2	37.5
20 to 24 years.....	7,699,000	5,870,000	11.0	12.3	31.2
25 to 34 years.....	11,885,000	10,760,000	17.0	22.5	10.5
35 to 44 years.....	12,034,000	9,120,000	17.2	19.1	32.0
45 to 54 years.....	11,682,000	7,475,000	16.7	15.6	56.3
55 to 64 years.....	9,238,000	5,115,000	13.2	10.7	80.6
65 years and over.....	10,384,000	4,510,000	14.9	9.4	130.2
LABOR FORCE					
Total.....	28,697,000	13,783,000	100.0	100.0	108.2
16 and 17 years.....	914,000	333,000	3.2	2.4	174.5
18 and 19 years.....	1,665,000	1,070,000	5.8	7.8	55.6
20 to 24 years.....	4,095,000	2,820,000	14.3	20.5	45.2
25 to 34 years.....	5,089,000	3,820,000	17.7	27.7	33.2
35 to 44 years.....	5,866,000	2,680,000	20.4	19.4	118.9
45 to 54 years.....	6,147,000	1,830,000	21.4	13.3	235.9
55 to 64 years.....	3,936,000	920,000	13.7	6.7	327.8
65 years and over.....	986,000	310,000	3.4	2.2	218.1

<sup>1</sup> Data are for civilian noninstitutional population and labor force in March 1940 and April 1968.

Source: U.S. Department of Labor, Bureau of Labor Statistics: Employment and Earnings, May 1968. U.S. Department of Commerce, Bureau of the Census: Current Population Reports, P-50, Nos. 22 and 32.

However, an analysis of the occupations held by these older women workers indicates that the opportunity to provide financial security for their retirement is rare.

The accompanying table (table 2) on major occupational groupings of employed women aged 55 years and over shows slightly more than 75 percent working in dead-end, low-paying jobs. More than half were service workers (including household employees), factory operatives, sales clerks, and farm and non-farm laborers. Even among those in the "manager, proprietor" category (7.6 percent) many owner-managers of small establishments—dress shops, beauty parlors, gift shops, etc.—were in enterprises that yielded very small annual net income. Average annual earnings for full-time, year-round female managers, proprietors and officials in 1968 were \$5,635.

Although these women workers in all categories of employment have, by the time of their retirement, made a considerable contribution in deductions for Social Security, the majority who are married do not necessarily receive higher Social Security benefits for the contribution they have made because they must elect between the different types of benefits for which they are eligible. When the Social Security System was devised it was not anticipated that the number of women aged 55 and over who were in the labor force would have increased more than four-fold by 1970.

TABLE 2.—MAJOR OCCUPATION GROUPS OF EMPLOYED WOMEN 55 YEARS AND OVER, APRIL 1970

Major occupation groups	55 years and over		55 to 59 years		60 to 64 years		65 years and over	
	Number <sup>1</sup>	Percent	Number <sup>1</sup>	Percent	Number <sup>1</sup>	Percent	Number <sup>1</sup>	Percent
Total.....	5,123,000	100.0	2,512,000	100.0	1,570,000	100.0	1,041,000	100.0
Professional workers.....	781,000	15.2	369,000	14.5	262,000	16.8	150,000	14.4
Managers, officials, proprietors.....	392,000	7.6	189,000	7.4	105,000	6.7	98,000	9.4
Clerical workers.....	1,286,000	25.0	689,000	27.0	398,000	25.5	199,000	19.1
Sales workers.....	422,000	8.2	188,000	7.4	148,000	9.5	86,000	8.3
Craftsmen, foremen.....	58,000	1.1	28,000	1.1	18,000	1.2	12,000	1.2
Operatives.....	640,000	12.4	368,000	14.4	185,000	11.9	87,000	8.4
Nonfarm laborers.....	39,000	.8	39,000	1.5	.....	.....	.....	.....
Private household workers.....	512,000	9.9	181,000	7.1	130,000	8.3	201,000	19.3
Service workers (except private household).....	890,000	17.3	431,000	16.9	282,000	18.1	177,000	17.0
Farmers, farm managers.....	39,000	.8	18,000	.7	4,000	.3	17,000	1.6
Farm laborers.....	93,000	1.8	50,000	2.0	29,000	1.9	14,000	1.3

<sup>1</sup> Details may not add to totals because of rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics. (Unpublished data).

In its report on the Position of Women in the Social Security System (Social Security Bulletin, July 1969, Vol. 32, No. 7, pages 3-19) the Social Security Administration points up the relative differences in OASDI payments between men and women workers at the end of 1967. Whereas 50 percent of men beneficiaries received less than \$100 per month, 82 percent of the women workers received less than this amount. (table 3) It is noted in the report that "on the average, the retirement benefit of women workers was 76 percent of the average amount for men"—\$72.30 per month for women, \$94.77 for men. Of all retirees receiving less than \$70 per month, more than one-half were women.

As Table 4 below indicates, the average monthly benefits from OASDI (Social Security) payments at the end of 1966 were \$70.79 for all women aged 62 and over—whether they had previously been employed or not. However, for non-white women the average was only \$56.14, reflecting their lower earnings.

TABLE 3.—RETIREMENT BENEFITS IN CURRENT-PAYMENT STATUS, DECEMBER 31, 1967: PERCENTAGE DISTRIBUTION BY REDUCTION STATUS AND MONTHLY BENEFIT AMOUNT

Monthly benefit amount	Women's benefits			Men's benefits			Women's benefits as percent of total		
	Total	Not reduced	Reduced	Total	Not reduced	Reduced	Total	Not reduced	Reduced
Number in sample <sup>1</sup> .....	4, 805	2, 284	2, 521	7, 128	5, 182	1, 946	.....	.....	.....
Percent .....	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0	40. 3	30. 6	56. 4
Less than \$44.00 .....	12. 1	.....	23. 1	3. 9	.....	14. 2	67. 9	.....	67. 9
\$44.00 .....	9. 9	20. 0	. 8	6. 2	8. 5	. 2	51. 8	50. 9	86. 5
44.10-49.90 .....	5. 6	3. 3	7. 7	2. 3	1. 5	4. 2	62. 4	48. 1	70. 4
50.00-59.90 .....	12. 0	8. 1	15. 5	5. 3	4. 2	8. 3	60. 3	45. 9	70. 7
60.00-69.90 .....	12. 2	9. 9	14. 3	6. 7	5. 2	10. 6	55. 1	45. 5	63. 5
70.00-79.90 .....	11. 3	11. 5	11. 1	8. 3	7. 5	10. 3	47. 8	40. 3	58. 1
80.00-89.90 .....	10. 0	11. 9	8. 4	8. 8	8. 6	9. 3	43. 6	38. 0	53. 7
90.00-99.90 .....	8. 7	10. 2	7. 3	8. 5	7. 9	10. 1	40. 8	36. 2	48. 5
100.00-109.90 .....	7. 5	8. 1	7. 0	9. 4	7. 8	13. 9	34. 8	31. 3	39. 4
110.00-119.90 .....	4. 4	6. 5	2. 6	12. 8	14. 2	9. 0	19. 0	16. 8	27. 0
120.00-129.90 .....	3. 3	5. 3	1. 4	15. 6	18. 5	7. 9	12. 5	11. 3	19. 1
130.00-134.90 .....	1. 6	2. 5	. 7	8. 3	10. 7	1. 9	11. 2	9. 5	31. 5
135.00 or more .....	1. 3	2. 7	( <sup>2</sup> )	3. 9	5. 3	( <sup>2</sup> )	19. 0	18. 5	63. 1
Average benefit .....	\$72. 30	\$79. 25	\$66. 01	\$94. 77	\$99. 74	\$81. 53	.....	.....	.....
Ratio of women's benefit to men's .....	76	80	81	.....	.....	.....	.....	.....	.....

<sup>1</sup> Excludes transitionally insured workers.

<sup>2</sup> Less than 0.05 percent.

Source: Social Security Bulletin, Annual Statistical Supplement, 1967, table 78.

TABLE 4.—NUMBER OF WOMEN RECEIVING OASDI BENEFITS AND AVERAGE MONTHLY BENEFITS RECEIVED, BY COLOR, END OF 1966

Beneficiaries	Total		Nonwhite	
	Number	Average monthly benefits	Number	Average monthly benefits
Total.....	11,418,853		835,281	
Retirees 62 years and over.....	4,624,100	\$70.79	361,412	\$56.14
Wives of retirees, with dependent children <sup>1</sup> .....	171,223	32.64	31,696	23.97
Wives (62 years and over) of retirees, without dependent children <sup>2</sup> .....	2,458,819	44.60	118,514	33.87
Widows, without children <sup>3</sup> .....	2,599,178	74.11	144,300	60.61
Widows, with dependent children.....	487,755	65.57	87,141	48.60
Parents <sup>4</sup> .....	32,334	77.10	3,422	67.25
Disabled:				
Own disability.....	288,930	85.46	41,833	70.11
Wives of disabled workers, with dependent children.....	186,536	34.06	29,785	25.25
Wives of disabled workers, without dependent children.....	32,513	37.20	2,975	32.99
Women with special age-72 benefits.....	519,640	34.93	13,816	34.94
Wives of special age-72 beneficiaries.....	17,825	17.49	387	17.46

<sup>1</sup> Dependent children include unmarried children under 18 years or between 18 and 22 if they are full-time students; also, unmarried disabled children of any age whose disability began before their 18th birthday. A wife with dependent children may be under 62 years and receive full benefits, which are 50 percent of the retiree's amount.

<sup>2</sup> If a wife without dependent children is under 65 years at the time of her husband's retirement, she receives reduced benefits; if she is 65 she, receives full benefits, which are 50 percent of the retiree's amount.

<sup>3</sup> A widow receives 82.5 percent of the deceased spouse's benefit amount.

<sup>4</sup> The dependent parent of a deceased insured worker may receive benefits at any age, 62 or over. If there is only one surviving parent, he or she gets 82.5 percent of the benefit amount; if both parents survive, each gets 75 percent of the benefit amount.

Source: U.S. Department of Health, Education, and Welfare, Social Security Administration; "Annual Statistical Supplement, 1966."

Even though, since the end of 1966 there have been increases in the base rates of Social Security payments to the aged to meet the rising cost of living, it is generally recognized that the increased increment has consistently lagged behind the increased cost of living.

Older women workers are further disadvantaged with respect to their economic status in their retirement years by virtue of the fact that many of them benefit little from private pension plans. Their low level of job status and earnings coupled with their late entry into the labor force, as the statistics cited above indicate, do not provide significant income for women retirees covered by company pension plans. More research is needed on the relative beneficiary position of women in corporate pension plans. However, it can be safely inferred that their income after retirement is significantly less than the amount necessary to assure that, when coupled with Social Security payments it will be adequate to meet even a "low-income" standard of living as priced by the Bureau of Labor Statistics.

The work of Dr. Juanita Kreps and Professor John Blackburn of Duke University summarized in the working paper for these hearings on "Economics of Aging: Toward a Full Share in Abundance" (pages 36-37) indicates that savings can provide only a fraction of the needed income for retirement consumption, except for workers aged 55-64. If the formula developed by Dr. Kreps and Prof. Blackburn were adapted to women aged 55 and over in the labor force today, it is likely that not even in the 55-64 age group of unskilled workers, comprising 75 percent of the female work force of this age, would savings toward retirement be possible. The conclusion of the task force that "private savings cannot be expected to contribute significantly to raising the level of income in old age" is particularly true for women.

However, thousands of women in their 60's and 70's want to supplement whatever meagre retirement benefits they may have by employment. This is the only way that many "women on their own"—widows, single women, women who are divorced or separated—can get the additional income essential to move from hardship penury to being able barely to make ends meet. Many women aged 55-65 foresee the day when income in their household will be reduced below the poverty level. They write us about the difficulty of finding employment to "build a nest egg" for retirement. They meet the same resistance that all older workers meet in seeking employment but theirs is often magni-

fied by lack of employed experience and the greater resistance of employers to hiring older women.

The Women's Bureau believes that women in their 50's, 60's and even many in their 70's have a significant contribution to make as employees. Their maturity, varied experience, seasoned stability and commitment to the job have all been attested to in studies citing lower turnover, higher productivity and greater ability to "stick-to-it" on the job. Recent figures from HEW Vital and Health Statistics (as yet unpublished) show that "work-loss days" for women aged 45-64 is 5.8 per year compared with 6.7 for men in this same age group.

The recent experience of a New York bank as reported in Social Service Outlook, April 1970, p. 20, (published by New York State Department of Social Services) is worth noting. The article describes the experience of Mature Temps, an employment agency specializing in the placement of workers aged 55 and over. It states:

"Nice things happen with encouraging regularity at Mature Temps. One of the big banks hired a few [mature women] to see if they could be helpful on a special accounting job. Then the bank called for more mature temps and turned the job over to them. It was a job which had required three days, when done by workers with an average age about 30 years younger than the matures. But the matures did the job in a day and a half. The bank was both delighted, and taken by surprise." "Sit around and enjoy yourselves for a day and a half," the bank said. "We will pay you for three."

It was with concern that the Women's Bureau noted in the report on "Income of the Aged: Overview from the 1968 Survey" (Social Security Bulletin, April 1970, page 22) that "the beneficiaries who turned to public assistance to help meet their needs were largely *women* without husbands who had no second pension." We know from our correspondents that the American principle of self-reliance is especially strong among women in their 60's and 70's. Their sense of dignity and self-respect, their feeling that they are "still needed" and able to make a worthwhile contribution are the vital elements in their appeal for help in finding a job—vs. "going on welfare." It is apparent many would rather starve than "become a burden on the community" as they express it.

Many of these women are equipped successfully to provide an almost endless variety of needed community services—as attested by the Foster Grandparents, Vista Volunteers, Green Light and other programs. It is the hope of the Women's Bureau that such projects can be expanded to enable a far larger number of women who, after years of contributing to our economic well-being, would otherwise face a long stretch of impoverished "years on the shelf."

## Appendix 4

### LETTERS AND STATEMENTS FROM ORGANIZATIONS AND INDIVIDUALS

#### ITEM 1. LETTER FROM JUDY BALES, CENTER DIRECTOR, BOULDER SENIOR CITIZEN CENTER, BOULDER, COLO.

CITY OF BOULDER, COLO.,  
June 1, 1970.

Dear SENATOR WILLIAMS, As Director of a Senior Citizen Center in Boulder, Colorado, I feel the desire to add my input to the Hearings related to "Economics of Aging" held by your committee.

A recent survey of the 700 members at our Center disclosed that half of these members live on monthly incomes of \$200 or less.

The Employment Service offered at the Center showed a tremendous desire to work. It also became apparent in interviews that the individual would settle for jobs way below their skill level in order to not have existing benefits reduced by this extra earned income.

Some instances of possible marriages have not been culminated due to the drastic reduction of income if two pensioners marry.

These "problems" can be elaborated to great extent.

Perhaps these comments can be of benefit to your discussions.

Sincerely,

JUDY BALES, *Center Director.*

#### ITEM 2. LETTER FROM ROBERT M. BALL, COMMISSIONER OF SOCIAL SECURITY, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,  
SOCIAL SECURITY ADMINISTRATION,  
Baltimore, Md., June 4, 1970.

Dear CHAIRMAN WILLIAMS: Thank you for giving me the opportunity to comment on the issues raised in the working paper prepared by Mr. Nelson Cruikshank for the hearings on the "Economics of Aging."

As you know, the Administration supports a number of the proposals—including automatic benefit increases, widow's benefits at age 65 equal to the husband's age-65 benefit, and a liberalization of the retirement test—which are mentioned by Mr. Cruikshank and which are included in H.R. 17550, the bill recently passed by the House of Representatives. The views of the Administration on these and other proposals raised by Mr. Cruikshank were presented before your Committee by Mr. John B. Martin, Commissioner on Aging, on behalf of Secretary Finch, and by Mr. Alvin M. David, Assistant Commissioner for Program Evaluation and Planning for the Social Security Administration.

The Administration is of course continuing to study the social security program and is being aided in this task by the Advisory Council on Social Security, which is now reviewing all aspects of the program and which will submit a report of its findings and recommendations to Secretary Finch not later than January 1, 1971.

Sincerely yours,

ROBERT M. BALL,  
*Commissioner of Social Security.*



ITEM 3. LETTER FROM MARCELLE G. LEVY, DIRECTOR, OFFICE FOR THE AGING, EXECUTIVE DEPARTMENT, NEW YORK. N.Y.

NEW YORK STATE EXECUTIVE DEPARTMENT,  
OFFICE FOR THE AGING,  
Albany, N.Y., June 3, 1970.

Dear SENATOR WILLIAMS:

\* \* \* \* \*  
I have read with interest the working paper "The Stake of Today's Workers in Retirement Security," which you enclosed with your letter. I have also read with deep interest the other "working papers" that have evolved from the hearings that have been concluded by your Special Committee on Aging in the United States Senate.

I can recognize the many problems that will be faced by the increasing number of persons who will accede to retirement during the next twenty years. These persons to some degree will be younger at the age of retirement, will have a better educational background, and in all probability will be much more capable of articulating their personal unmet needs.

Truly, I recognize the serious moral obligation that faces all of us in developing a social climate which will be beneficial and meaningful to all those members of our society when they do retire, either by tomorrow or twenty years from tomorrow. One thing which is in the favor of those who will retire some time hence, is the fact that we will have stabilized to a greater degree a means whereby our economy can be controlled to offset inflation and its consequent drain on limited dollar income. This cycling and recycling of increased costs of consumables and the concomitant spiral of wage demands will achieve a plateau that of necessity will permit a more standard approach to determining ones returns from employment, achievable retirement ages, better use of leisure time and certainly a structure of continuing education to permit the evolution of a concerned society who will be able to accrue to themselves satisfaction not available to our present older population.

I am very impressed with the work the Committee has done to date, and share with you a sincere concern for continuing this effort to assure a positivism essential to our older citizens as they approach retirement and as they will live in retirement as self sufficient members of family and community.

Sincerely,

(MRS.) MARCELLE G. LEVY,  
*Director.*

ITEM 4. STATEMENT OF HAROLD B. PARKER, EXECUTIVE DIRECTOR, STATE COMMISSION ON AGING, ATLANTA, GA.

Senator Moss, Mr. Oriol, Mr. John Guy Miller, Mr. Val Halamandaris, it is indeed a privilege and an honor to be accorded the opportunity to appear before the U.S. Senate Special Committee on Aging. I am Harold B. Parker, Executive Director of the Georgia State Commission on Aging, based in Atlanta, Georgia.

Professionally I am the advocate of more than 350,000 older Americans who live in the State of Georgia and who suffer great discrimination just because they are old. Since 17,000 of the most abject of these older Georgians must live in nursing homes, the Commission on Aging has worked a liaison arrangement with the Georgia Nursing Home Association to help upgrade patient services and professional standards in the 240 licensed nursing homes in the State of Georgia.

It should be pointed out that 90 percent of the nursing homes in Georgia are proprietary profit-making institutions and that they tend to be small—that is with fewer than 100 beds. These nursing homes are strategically located primarily in the communities and neighborhoods where the patients can maintain family ties, keep contact with neighbors and old friends, maintain church membership and continue to be a part of the community life.

The last week in April the Commission staff and I visited 46 nursing homes in Southwest Georgia and reported our findings to the Georgia State Commission on Aging at its May 1, 1970 meeting in Americus, Georgia. We found that many of the nursing homes have fully embraced the philosophy that old pa-

tients can get well and most homes have a planned practice of setting goals and optimal dates for the patient's dismissal and return to whatever degree of independence possible.

We found nursing homes engaged in rehabilitative efforts and remotivation. I saw a newly blind elderly lady being taught sensory perception, a stroke patient with great damage being taught to use her hands in creative craft work, and one therapist remarked as she was assisting a badly impaired 75-year old man to gleefully take his first step, "Its as much fun to teach an old man how to walk as it is to teach a baby."

I found one nursing home operating an out-patient rehabilitation clinic with the great approval of the surrounding community; one home with the help of Title III funds under the Older Americans Act is operating a homemaker program and day care center.

I found great enthusiasm for the work among staff and administrators of nursing homes, and that the good patient care is reflected by the smiles on the faces of the patients. "When I don't see the smiles on their faces, then I know there is trouble," one administrator confided.

Almost every home visited was striving to keep in the mainstream of community life. We found imaginative use of volunteers and friendly visitors. Churches and church people were reported as great and readily available resources. Public Recreation Departments in the larger communities accept nursing homes as a continuing responsibility for program. Golden Age Clubs and Senior Citizens Councils (Title III projects) make patients in nursing homes honorary members and provide them interest, service and much desired attention.

For more than a year the Commission had been aware of the gross under utilization of Extended Care Facilities in Georgia and has held joint meetings with representatives of Social Security, medical doctors, nursing home operators, Department of Public Health, Department of Family and Children Services and intermediary insurance companies. Instead of getting better, the situation grew steadily worse. Many Extended Care Facilities either withdrew from the Extended Care Facility program entirely or greatly reduced the number of beds available for Medicare patients.

In our trip to Southwest Georgia last week we found very few Medicare patients. One former Extended Care Facility administrator estimated that there are fewer than 100 Extended Care Facility patients in the entire State of Georgia although at least half of the patients in the hospitals are elderly.

The Commission on Aging is greatly concerned over this denial of this right of 100 days in an Extended Care Facility to Georgia's older sick citizens. This withholding of this life-saving and hope-giving treatment therapy and care is indeed an American tragedy and a travesty on the nation's wonderfully fine and enlightened Medicare program. It constitutes one more act of discrimination—despite clearly stated and publicly explained laws guaranteeing this right to our elderly sick. This discriminatory practice of denying care in an Extended Care Facility contradicts our philosophy that the older patient can get well and is really worth saving. We have found without a shadow of a doubt that the older Georgian will—and oftentime does—starve before he will beg. He is a dignified citizen who has given much at great sacrifice to his nation. He loves life and deserves the right to live—and in full health and capacity.

Gentlemen, I beg of you to use your influence to restore this guarantee.

[Enclosure]

#### A TITLE III PROJECT WITH NURSING HOMES

The Georgia Commission on Aging has long recognized the important roles that nursing homes play in the lives and affairs of our older people, their families and communities. The Commission helped the Georgia Nursing Home Association develop a Title III project under the Older Americans Act designed to update the professional standards of nursing home administrators and improve patient care.

The nursing home industry in Georgia is made up of 240 licensed nursing homes strategically located in the communities and neighborhoods where people live. They tend to be small—less than 100 beds and 90 percent are proprietary and must show a profit to keep their doors open.

In the Title III project the State Commission stressed the wholeness of the patient living in nursing homes and his need for attention and continued con-

tact with the community. The nursing home administrator was urged to develop volunteer programs and involve churches and church people, public recreation departments, Brownie Scouts and other resources to keep the nursing home in the mainstream of community life. We soon overcame the reticence of the businessman-owner of the proprietary nursing homes to ask for this kind of help from the community when it became evident how much these contacts meant to the patients. This give-and-take is making the nursing home into truly community institutions and providing their great resources for helping solve some very knotty community problems.

Also, the Georgia Nursing Home Association at the suggestion of the State Commission on Aging employed a full-time educational director to carry the function of staff development and in-service training on a continuing basis.

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ITEM 5. LETTER FROM GEORGE P. SHULTZ, SECRETARY,  
DEPARTMENT OF LABOR

U.S. DEPARTMENT OF LABOR,  
OFFICE OF THE SECRETARY,  
*Washington, D.C., June 8, 1970.*

Dear Mr. Chairman: Thank you for your letter of April 24 and the request for comment on the issues raised by Nelson Cruikshank's interesting paper on "The Retirement Test in Social Security." Mr. Cruikshank makes a very strong case for the maintenance of a liberalized retirement test in the Social Security program.

The Department of Labor also supports the related idea set forth in the working paper that as health, educational and general employability status of older workers improves in the years ahead we should be encouraging older people who are able and willing to work to continue doing so rather than encouraging earlier and earlier retirement at reduced levels of income. It is clear to us that earlier retirement can force many retirees and their families to live out their lives at or below the poverty line.

We also agree that if a choice must be made between eliminating the retirement test to permit 10 percent or less of the potential beneficiaries to draw social security and still go on working full time and using the same amount of money in payroll taxes to make basic improvements in benefit levels for those beneficiaries most in need of such help, we would certainly support the latter choice.

Sincerely,

GEORGE P. SHULTZ,  
*Secretary of Labor.*

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ITEM 6: LETTER FROM TAX FOUNDATION, INC.

DEAR SENATOR WILLIAMS: Please accept my thanks for your letter of May 5. As requested by your staff, the Tax Foundation made available to your committee the Foundation's published research on social security. As indicated in the May 1, letter from Dr. Watters to you, we are happy to have you include this material in the printed hearings.\* We are also happy to accept your invitation to submit a supplementary statement for the record, which you indicate will remain open until June 6. The subject is of greater importance than most Americans now realize. Already, heavy commitments have been made for substantial increases in tax burdens in the years ahead. Moreover, the potentialities for nongovernmental retirement plans would be vitally affected by some of the proposals which, I understand, have been urged upon your committee.

In one respect, social security programs have an element which in a significant sense differs appreciably from the typical program of government spending. The rise in benefits voted at one time—"now"—may require some higher taxes immediately but will not compel full payment of the ultimate increase in costs until the future. In a sense future taxpayers are committed "without representation," and as a practical matter no turning back seems possible. Thus, a sobering sense of responsibility is appropriate in any consideration of adding new and still heavier obligations on the worker and the consumer of the future.

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\*See app. 2, p. 1953.

Moreover, in making decisions today, is there not an imbalance? The number of beneficiaries is much smaller than the number of taxpayers. Consequently, the average benefit increase is much greater than the average tax increase. Political forces for expanding benefits are likely to be more concentrated than is the opposition to tax increases. The whole process of decision-making seems to be weighted to encourage the expansion of benefits if only because the rise in tax burden is so diffused that the potential opposition will be spread thinly.

The imbalance of attitudes which favors the pressures for more spending as against those for restraint in tax increase is magnified by the virtually hidden nature of half of the social security payroll tax. The half of the tax which falls upon the employer will rarely if ever come to the attention of the person who pays it, chiefly the consumer. Under such conditions how can the public be expected to be properly alert to the relative desirabilities of social security benefit and tax increases. Is there not a built-in bias against the taxpayer? This aspect of the system would seem to warrant careful and explicit analysis from both the political and the economic points of view.

The large and growing burden on employers must be a matter of concern. Presumably, most employers will be able to shift most of the tax most of the time to consumers (or employees). Yet complete shifting cannot be assumed, especially when many companies fail to end the year with an economically viable rate of profit (or any profit at all in some cases). Thus the tax does bear upon business enterprise. It has some of the defects of business taxes. Nevertheless the recent rounds of payroll tax increases have not received so far as we are aware, the amount of careful analysis of their effects on business efficiency and progress which their importance justifies. Before any further increases are adopted, some careful thought is called for.

One reason it is said that we tax some products e.g. liquor is to discourage consumption. To put high taxes on employment must hurt rather than help the growth of jobs, though I hasten to add that the performance of our economy has been very impressive despite such obstacles. Could we not, however, do better in the future without adding to the already scheduled increases in burdens on employers?

Moreover, some state-local governments must expect difficulty in meeting the higher costs. And the many hospitals, colleges, philanthropies, cultural, scientific, and other nonprofit organizations will find their financial difficulties only compounded by additional payroll tax burdens.

High already is the load of social security taxes on taxpayers with low and moderate incomes. The fact that half or so, the portion shifted into price by the producer, is hidden does not change the fact that the total cost *is* heavy. By some of the standards used in evaluating any tax, the payroll tax, especially the hidden portion, leaves much to be desired. Not the least is the addition to the general cost of living. The Tax Reform Act of 1969 did make serious effort to lighten the tax burden on large numbers of taxpayers. Increase in payroll taxes would work in the opposite direction.

Putting much of the added cost on employees with earnings over \$7,800 may seem politically appealing. Yet the portion on the employer will certainly not be confined to consumers with incomes over \$7,800! The implications for equity in sharing the cost of social insurance clearly need open and objective discussion.

So many complications have been embodied in benefit elements that comparisons of costs and benefits arouse much criticism. A hard look does seem to make clear that for many people today the system will likely be anything but fair. Do they not deserve greater freedom and opportunity about the use of their income? This is one of the questions which present hearings might well try to analyze in detail.

The current and heartwarming evidence of desire to improve the system of governmental aid for the poor has revealed, among other things, that complexities are even greater than had been presumed. One temptation is to try to broaden and expand programs rather than to concentrate them for greater effectiveness. Yet will not the focusing of aid more directly to the points of greatest need multiply the positive results? To try to enlarge the whole social security system to meet some kinds of specific need must be highly inefficient. Congressional efforts to modernize the arrangements for making welfare aid systems more effective reduce the need for some of the broad expansion of coverage through social security.

Finally, freedom and opportunity to develop private retirement plans offer a basis for strength and constructive development not matched in a compulsory

1985

system. Our society is one of tremendous diversity. Will not the optimum utilization of potentialities be realizable only when individuals and private groups are free to adapt to their widely differing circumstances? Coercion, it is widely felt, does have a legitimate role in providing a floor of protection. But freely determined plans are required to serve best the varying needs, preferences, and earning and saving abilities of the tens of millions of American workers and their families. Regimentation can be carried too far. Initiative and adaptation to freely expressed desires can be productive in a manner never possible for a compulsory system blanketing everyone. Advocates of enlarging Social Security, the "expansionists," tend to overlook, not only the burdens of higher taxes but also the threats, some indirect and subtle, to private plans.

Yours very truly,

ALFRED PARKER,  
*Executive Director.*

## Appendix 5

# PRELIMINARY FINDINGS FROM SOCIAL SECURITY SURVEY OF THE AGED 1968

REPORT No. 1, OFFICE OF RESEARCH AND STATISTICS, SOCIAL SECURITY  
ADMINISTRATION

INCOME OF PEOPLE AGED 65 AND OLDER: OVERVIEW FROM THE  
1968

SURVEY OF THE AGED

(By Lenore E. Bixby) \*

Formal retirement programs at the close of 1967 were paying basic benefits to about 9 in every 10 married couples with one or both members aged 65 or older and 9 in 10 nonmarried persons of that age. Old-age, survivors, disability, and health insurance (OASDHI), as the basic income-maintenance program for the elderly in this country, provided some income to 86 percent of the aged units in the population, including nearly 5 million couples with one or both persons aged 65 or older and 7.5 million persons who were not married, many of them widowed.

Provisions for railroad and government workers afforded basic support for an additional half-million aged units and some income for nearly 1 million OASDHI beneficiary units. Private pensions supplemented the OASDHI benefits of about 1.8 million aged units.

Most of the 700,000 men aged 65 and over and some of the aged women receiving no benefits under these public programs could have drawn such benefits had they not continued at regular jobs. Public assistance provided the entire support—or practically all of it—for about 600,000 nonmarried persons—mostly aged widows and a few couples not eligible for OASDHI benefits.

Those on the OASDHI rolls were a far from homogeneous group. More than one-fifth of all beneficiary couples had less than \$2,000 in 1967 incomes and nearly one-tenth had at least \$7,500. Among beneficiaries without spouses, three-fifths of the women and two-fifths of the men had less than \$1,500, and about 1 in 25 reported \$5,000 or more. Most favorably situated were those who supplemented their benefits with earnings or were entitled to a second pension.

About two-fifths of the aged beneficiary couples had the husband, the wife, or both members working—most often the husband. Median income for couples with any earnings to supplement their retirement benefits was \$4,100. One-fourth of the beneficiary couples had more than one pension, with private pensions outnumbering government pensions more than 2 to 1. Median incomes were \$4,360 for those who had a second public pension and \$4,040 for those who also received a pension from private industry.

Women greatly outnumber men in the entire aged population and among the beneficiaries of OASDHI. Many of the 5.6 million women beneficiaries without husbands were widows, often past age 73. Their OASDHI benefits were low, they seldom worked, and they had little retirement income in addition to OASDHI. As a result, half of them had total incomes below \$1,800 and only 1 in 16 had as much as \$4,000. One in 10 turned to welfare agencies for cash support.

Veterans' benefits provided an important supplement for some aged beneficiaries. Many received some income from assets, but the amounts of these supple-

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ments were usually small. On the whole, OASDHI beneficiaries who were not working or who did not have a second pension had low incomes. One-fourth of the couples on the OASDHI rolls and two-fifths of the nonmarried depended on OASDHI for almost their entire support (all but \$300 a person for the year). Half the beneficiaries without spouses had no more than \$500 income from any other source, including public assistance payments, which are subject to a means test. Nearly half the couples and three-fifths of the nonmarried beneficiaries were practically without retirement income except for their benefit.

By 1967 the group of elderly people not receiving regular OASDHI retirement benefits was reduced to one-sixth of the population aged 65 and over. Some of those not drawing benefits were earning and probably chose to postpone retirement. Continuing work with fairly high earnings was much more common for married couples than for those not married. Nearly two-thirds of the married couples not on the OASDHI rolls had incomes of \$4,000 or more. Those with an employed member had a median income of \$7,550. Most of the other couples not on the OASDHI rolls received a pension. It was likely to be larger than an OASDHI benefit, so that the median income for this small group was \$3,750 compared with \$2,750 for beneficiary couples without a second pension.

Least well off of any group of the aged were the 1.1 million women without husbands who were not on the OASDHI rolls, nearly half of whom had incomes of less than \$1,000. Some of them were living with relatives who provided a home and food. Some were getting other public pensions and they presumably had relatively higher incomes. More than two-fifths of them, however, had to turn to public assistance for their main support, and among those aged 73 and over, nearly 60 percent were receiving public assistance payments.

In the aggregate, retirement benefits provided the largest share of the income of the aged population in 1967. OASDHI alone accounted for 26 percent of the total income of the aged and other retirement programs for 11 percent. Earnings provided 30 percent of the total, and assets yielded 25 percent. All other sources—including veterans' benefits, public assistance and personal contributions from relatives not in the home—made up the remaining 5 percent.

The foregoing findings are summarized from the second nationwide Survey of the Aged undertaken by the Social Security Administration. The 1968 Survey of the Demographic and Economic Characteristics of the Aged (DECA) was designed to provide data similar to those from the 1963 Survey of the Aged<sup>1</sup> on work experience, income, living arrangements, and certain types of assets, for persons aged 65 and over and their spouses.

#### CONCEPTS AND MEASURES

The Survey was timed to provide up-to-date information for use by the 1969-70 Advisory Council on Social Security in their review of benefit-level adequacy. It was thus impractical to mount a special study that would also cover those aged 62-64, as in the 1963 study.

The 1968 Survey of the Aged is based on supplemental questions asked in the monthly Current Medicare Survey (CMS), established by the Social Security Administration to provide current estimates of the hospital and medical services used and charges incurred in the program of health insurance for the aged. The DECA questions were asked of two CMS samples—the outgoing 1967 panel and the new 1968 panel. The reference period for the questions was the calendar year 1967. As stated in the Technical Note that follows the article, the DECA sample consisted of 9,128 persons, of whom 8,248 were interviewed.

Unlike the 1963 Survey of the Aged, which was conducted by the Bureau of the Census acting as agent for the Social Security Administration in collecting and tabulating the data, the 1968 Survey questionnaires were administered by the Bureau of the Census but processed by the Social Security Administration. The economic and demographic data are being tabulated separately from the regular CMS data. Social Security Administration record data have been combined with interview data to support analyses of program issues. Cross-tabulations are being prepared by size and type of OASDHI benefit, date of entitle-

<sup>1</sup> Lenore A. Epstein and Jenet H. Murray, *The Aged Population of the United States: The 1963 Social Security Survey of the Aged* (Research Report No. 19), Office of Research and Statistics, Social Security Administration, 1967.

ment, and whether or not the person elected an actuarial reduction in his benefit to obtain it before age 65.

The sample universe consisted of persons aged 65 and older, but the basic unit for interview and analysis was defined, as it was in 1963, as a married couple living together with at least one member aged 65 or older, or an individual aged 65 or older who was widowed, divorced, living apart from his spouse, or never married.

Since the estimates in this report are based on a sample, they may differ somewhat from the figures that would have been obtained in a census. Some preliminary estimates of the sampling variability of the survey results are given in the Technical Note, together with a summary of the characteristics of units reporting total income.

#### MEASURING INCOME SIZE

Every effort—short of assigning values on the basis of demographic characteristics—was made to build up a total income profile. Nevertheless, about one-fifth of the nonmarried and one-fourth of the married couples are excluded from the distributions by income size and income shares because of failure to report on crucial income items.

Information on total income from assets was most often missing, even though income at the rate of 4 percent of value was imputed when a financial asset holding was reported and there was no entry for income accruing from such assets. Fortunately, reporting on receipt of most other types of income is relatively complete.

Information on income size is of great importance as an indicator of the level of living. Information on receipt of income from certain sources is by itself highly significant because the source indicates whether or not the income is likely to continue throughout retirement or widowhood. Thus, the small group of fully employed among the aged have much more income than the retired, but only a negligible number can count on continuing employment or self-employment for the remainder of their lives. Entitlement to pensions is therefore decisive, and their size of course controls the level of living that can be achieved in retirement by all but the exceptional unit with large holdings of income-producing assets.

Since income size and source are interrelated, the source data are suggestive of size. The seriousness of the gaps in reporting on size of total money income is alleviated by the fact that distributions of units by income size and by type of income have been prepared for many subgroups in the population—those receiving different types and combinations of pensions, those with and without work experience, and those with and without public assistance—not only for all aged units but also for those with and without OASDHI benefits. Here attention is called to the main relationships and to differences related to age. Subsequent articles will explore the detailed interrelationships of income size and source.

#### DEFINING INCOME

Income is defined, as in Bureau of the Census surveys, to include money income received in the survey year from the following sources:

(1) Earnings, including money wages or salary before deductions for taxes, bonds, insurance, pensions, etc., and net income from farm and nonfarm self-employment (gross cash receipts minus operating expenses);

(2) retirement benefits, including OASDHI benefits, benefits under other public programs (for railroad workers, Federal, State, and local government employees, and retired members of the Armed Forces), and private group pensions paid by a former employer or union directly or through an insurance company;

(3) veterans' benefits—including compensation for service-connected disability or death and pensions for non-service-connected disability or death;

(4) public assistance payments (excluding vendor medical payments);

(5) income from assets, in the form of interest (on bonds or savings), dividends from stock holdings or membership in associations and cooperatives, and net rents from rental of houses, apartments, business buildings and vacant lots, or from rooms and boarders;

(6) cash contributions from relatives or friends not living in the household;  
and



(7) all other money income (except from relatives in the household), including unemployment insurance benefits, workmen's compensation, private welfare or relief, and private annuities.

The money income concept used as a classification variable for the data obtained in this survey provides comparability with other surveys. Although a case can be made for a more inclusive income concept, many of the possible additions present problems of measurement and interpretation.

Proposals are often made for additions to the income concept to take into account factors that enable people to live better than seems possible on their money incomes. Some of the proposed additions—such as capital gains, expense accounts, and stock options—result from developments in the tax structure and accrue largely to the well-to-do.<sup>3</sup> Perhaps even more widespread are fringe benefits such as employer contributions to health and pension plans and government contributions to health insurance for the aged. They present relatively minor measurement problems because they can be expressed in dollars. If these "nonincome flows" were to be counted as income, a major change in the definition applicable to all income levels would be required. More difficult to express in money values are additions to the level of living that may result from occupying owned homes or sharing living quarters with relatives. Gifts of food or clothing present similar problems though they are probably of less magnitude among the aged. Can these items be valued and should they be added to the income account as a kind of nonmoney income?

The measurement problem is obvious. It seems unlikely that respondents can put values on their homes, and especially on their rights to shared living quarters with any reasonable level of precision.

The conceptual problem can be stated as follows: Granted that occupying owned homes or sharing living quarters raises levels of living above what would have been achieved if these goods were purchased out of money income, do they raise it by the full amount of their value? Or, to put it another way, granted that receipt of these goods frees some cash for other purposes, does it free cash equal to their full value? If, for example, a family with a very low income lives rent-free in luxurious quarters, the family is spared paying rent but does not have the large money value of its accommodations free in cash for other uses. Aged couples who continue to occupy homes that they bought to accommodate their growing children and that are now worth more than they would choose to pay in rent are in a similar, though less extreme, position. Putting a money value on shared living quarters would be even more difficult.

Because of these questions (or problems), occupancy of owned homes and shared living quarters are not evaluated as additions to income but are presented as aspects of the way the aged population lives. A later article will present information on the extent of shared living quarters when incomes are relatively high or low. This information should throw some light on whether sharing is voluntary—reflecting ties of affection—or involuntary, either because health does not permit living alone or as a way of compensating for low income. Data on the extent of homeownership and the amount of home equity will also be presented as part of a later analysis of asset holdings.

#### DESCRIPTION OF THE AGED POPULATION

As of the end of 1967, the United States population included an estimated 19.3 million persons aged 65 or older. Nearly 3 out of 5 of them were women. Among the men, almost 3 out of 4 were married, but only about 1 out of 3 women were among the married, as the following figures show. More than half the women but less than one-fifth of the men were widowed. Only a small proportion of men or women were divorced, separated, or never married.

Marital status	Men	Women
Total number (in thousands).....	8, 108	11, 186
Percent.....	100	100
Married, spouse present.....	72	34
Nonmarried.....	28	66
Widowed.....	18	54
Other.....	10	12

<sup>3</sup> National Bureau of Economic Research Inc., *New Challenges for Economic Research*, Forty-Ninth Annual Report, October 1969, page 58.

These aged, together with their wives or husbands who had not yet reached age 65, made up the 15.8 million aged units in the survey. Almost half the units (7.4 million) were nonmarried women, of whom 6.0 million were widows. The 6.0 million married couples formed the next largest group (chart 1). Men who had never married or were no longer living with a spouse numbered barely 2.4 million, or 15 percent of all units.

*Age of units.*—Most DECA tabulations to date have been prepared for the two broad age groups 65-72 and 73 and over.<sup>3</sup> As in the 1963 Survey, 73 was used for the start of the second broad classification, so that persons subject to the earnings or retirement test under the OASDHI program could be distinguished from those not subject to that test for at least a full year. Under the program, insured workers (and their dependents and survivors) may draw benefits regardless of their earnings when they reach age 72. Until that age, the earnings test operates to reduce benefits when earnings exceed a specified sum—\$1,500 in 1967. Moreover, the 73-and-over age classification helps to identify persons receiving cash benefits under the transitional insured-status and "special age-72" provisions of the Social Security Act.

This age classification conveniently divides the total sample into almost equal parts. (The more conventional classification at age 70 or 75 would not have divided it evenly.) A later article will use a more detailed age classification, however, to explore the effect of age on work experience, pension receipt, size of income, and living arrangements.

Slightly more than half of all aged units were aged 73 or over. As would be expected, couples were more often in the younger group, aged 65-72. Nonmarried units among both men and women were much more likely to be in the older group.

Age	Percent of aged units by age and marital status			
	Total	Married couples	Nonmarried	
			Men	Women
65 or older.....	100	38	15	44
65 to 72.....	48	23	6	19
73 and over.....	52	15	9	28

These relationships are a function of the life cycle. As the couple ages, there is more probability that one spouse will die, leaving the other widowed.

*OASDHI beneficiary status.*—A total of 13,630,000 OASDHI beneficiary units, or 86 percent of all aged units were on the OASDHI benefit rolls at the end of 1967.<sup>4</sup>

The following subgroups, included in this total, are omitted when the economic resources of beneficiaries are considered: (1) about 375,000 units that received their first benefit after January 1967—predominantly married beneficiaries aged 65-72—and (2) about 775,000 units aged 72 or older (four-fifths of them nonmarried women) not regularly insured but entitled to the special low-rate benefit under the 1965 and 1966 amendments.<sup>5</sup> Together these two groups of units comprised about 5 percent both the couples and the nonmarried men and nearly 10 percent of the nonmarried women. Their inclusion with regular beneficiaries who drew a first cash benefit before 1967 would have distorted comparisons between regular OASDHI beneficiaries and those not receiving benefits.

#### SIZE AND SOURCE OF INCOME

A few of the aged had very large incomes in 1967, but for the majority the income level was low. The 3 percent with incomes of \$10,000 or more repre-

<sup>3</sup> For married couples, age refers to that of the husband, if known and if he is aged 65 or older; otherwise, the age of the unit is that of the wife.

<sup>4</sup> Not classified as beneficiaries for DECA purposes were those insured workers enrolled for Medicare who could have drawn cash benefits in the survey year if they had not chosen to continue to work.

<sup>5</sup> In 1967 the special benefit was \$35 per month for an eligible person (\$52.50 for a couple). The statutory minimum was \$44 for a worker retiring at age 65 or later (and half as much for a wife) and the maximum possible amount was about \$140 for a worker who retired in 1966 after reaching age 65.

sents a small number compared with the 44 percent classified as poor and the 11 percent as near poor, on the basis of income thresholds developed by the Social Security Administration.<sup>6</sup> In round numbers, the 1967 thresholds are as follows:

Level	Married couples	Nonmarried persons
Poor.....	\$2,020	\$1,600
Near-poor.....	2,690	1,900

Roughly one-third of the aged units had incomes large enough to provide at least a moderate level of living as defined by the Bureau of Labor Statistics (BLS) for a retired couple (\$3,930).<sup>7</sup> On the whole the income status of married couples was better than that of the nonmarried.

Most surveys underestimate incomes at the upper end of the distribution because the very small number with high incomes are less likely than others to be properly represented. If they are drawn in the sample, they are less likely than those with moderate incomes to cooperate in providing complete information. In consequence the "true" mean and aggregate income for aged units would be expected to exceed the survey figures by a considerable margin. Medians and measures of the distribution, especially for the lower end, are not likely to be affected.

#### COMPARISON OF SURVEY WITH OTHER DATA

A measure of the shortfall in survey data is obtained by comparison with tax data compiled by the Internal Revenue Service (IRS).<sup>8</sup> Income-tax returns from taxpayers aged 65 and over numbered 6.6 million in 1967. This figure, translated into aged units as defined by DECA, represents 3.8 million married couples and 2.7 million other aged persons, or a total of 6.5 million units.<sup>9</sup>

It is striking that only about two-fifths of all aged units had incomes that required them to file a Federal income-tax return for 1967 and that about three-fifths of these returns were taxable. In other words, only 3.9 million aged units, or one-fourth of the 15.8 million units in the population, had taxable incomes in 1967.

Although tax returns are classified by income size on the basis of "adjusted gross income"<sup>10</sup> rather than income as defined for survey purposes, the extent of the underestimate of the number of high income units may be inferred.

Despite the known shortfall of the survey income data on assets and earnings, no attempt has been made to use the IRS data to correct survey results. Statistics from IRS obviously could not provide information on those dependent on OASDHI benefits or public assistance, or for others with low incomes.

When adjusted gross income is taken as a not unreasonable proxy at higher levels for income as defined for DECA, it appears that the Survey may have underestimated the number of aged units with incomes of \$15,000 or more by some 320,000 and those with \$10,000-\$15,000 by about 170,000. If that is true, then the proportion of the 15.8 million aged units with incomes of \$10,000 or

<sup>6</sup> See Mollie Orshansky, "Counting the Poor" and "Who's Who Among the Poor," *Social Security Bulletin*, January and July 1965; for recent revisions, see the Bureau of the Census, *Current Population Reports: Consumer Income*, Series P-60, No. 68.

<sup>7</sup> See the Bureau of Labor Statistics, *Retired Couple's Budget for a Moderate Living Standard* (Bulletin No. 1770-4), 1966, and "Measuring Retired Couple's Living Costs in Urban Areas," *Monthly Labor Review*, November 1966. The cost for an aged person living alone at the moderate level is here estimated at \$2,170 or 55 percent of that of a retired couple on the basis of the BLS data reported in *Revised Equivalence Scale* (Bulletin No. 1570-2).

<sup>8</sup> Internal Revenue Service, "Taxpayers Age 65 or Over," *Statistics of Income, 1967* (Publication 79 (7-69), section 4).

<sup>9</sup> An unpublished table made available by IRS shows 3.7 million joint returns (with 5.6 million persons) and 153,000 separate returns of husbands and wives aged 65 or over. If only half the separate returns are counted, the total is reduced from 6.6 million to 6.5 million.

<sup>10</sup> "Adjusted Gross Income" includes net capital gains (not treated as income in the survey) and excludes public and private transfer income such as OASDHI and railroad retirement benefits, Veterans Administration payments; workmen's compensation; a portion of the income from contributory pensions and annuities, and personal contributions; and interest on State and municipal bonds and nontaxable dividend distributions by corporations.

more in 1967 would have been closer to 5 percent than to the 3 percent shown in table 1. The effect on the shape of the distribution or the median income for aged units would have been slight.

The Survey's shortfall is greatest in the asset items, with DECA yielding less than half the aggregate reported in the *Statistics of Income, 1967* (\$6.5 billion out of \$15.2 billion). The Survey also fails to account for some 30 percent of income from employment and self-employment combined (\$12.6 billion out of \$18.4 billion). The small group of taxpayers aged 65 and over with adjusted gross income of \$10,000 or more received 56 percent of the income from assets and 49 percent of the income from employment.

In the reporting of income from OASDHI, public assistance, and other public programs, the Survey does relatively well on the basis of comparison with reports of agencies administering these programs.

Any shortage appears to be more in the amount of earnings and asset income than in the number reporting receipt of these types of income. Major emphasis is therefore directed to income sources—that is, the percentage of units with income from specified sources.

Only a Survey provides the basis for studying the characteristics of the various subgroups of the aged population and comparing their resources. A clear understanding of the differences between aged people who still work and those who do not, and among recipients of benefits under different programs is basic to the development of appropriate income maintenance policies and special programs for the aged.

#### SOURCES OF INCOME

Because retirement programs are designed to replace only a portion of average preretirement earnings, groups that typically have some employment income receive larger total incomes than those no longer in the labor market. The disparity is aggravated by the fact that with rising earnings levels the pension even of new retirees is often very small in relation to current earnings levels.

Retirement benefits are nevertheless the mainstay of the great majority of the aged. In 1967, about 90 percent received payments from at least one program. OASDHI was of course far and away the most important source, with all but 14 percent receiving a regular or "special age-72" benefit at the end of 1967. More than four-fifths drew a regular OASDHI benefit.

Just over 1 in 4 of all units had some earnings during the year. Only about 1 in 25 were working and did not receive any retirement benefit.

Close to half the total had some income from assets, but the great majority of units with assets received only small amounts of interest, dividends, or rents. For most of the aged, therefore, this income source made only a minor contribution to their support in old age. For a small group, however, assets could provide luxurious living. When DECA data on asset holdings are tabulated, the characteristics of the owners will be compared with those of units without assets, and the size and composition of the holdings of various groups examined.

About 1 in 8 aged units (most of them men) received a private pension, and slightly more than 1 in 10 drew a public pension under the railroad retirement program or a staff retirement system for Federal, State, or local government employees.<sup>11</sup> Substantially all private pensioners and about two-thirds of the aged units receiving public pensions other than OASDHI were also on the OASDHI rolls. Annuities for government employees were more common than benefits for railroad workers. Most retired railroad workers draw benefits under their special program instead of OASDHI. Many government employees are covered under staff systems coordinated with OASDHI and thus receive benefits under both; others earn a benefit under both from work at different times or by moonlighting.<sup>12</sup>

Veterans' benefits and public assistance are the only sources of income other than retirement benefits, earnings, and assets that were reported by any considerable proportion of units aged 65 and over. About 1 in 8 received cash public assistance payments, and 1 in 10 had veterans' benefits. Payments under

<sup>11</sup> The DECA estimate of 1.0 million units receiving pensions because of government employment omits about 100,000 former Federal civil servants not represented in the DECA sample, as explained in the Technical Note.

<sup>12</sup> See Elizabeth Heildreder, "Federal Civil-Service Annuitants and Social Security," *Social Security Bulletin*, July 1969.

private individual annuities were reported by only 2 percent of the aged units, unemployment insurance by 1 percent, and contributions by relatives and friends not living in the household by 3 percent—more than twice as often by nonmarried women as by other units. Little attention is devoted to these infrequent income sources both because of sampling variability of the data and because they do not explain much about the level of income of the aged as a whole.

The Veterans Administration pays cash compensation to veterans with service-connected disabilities, with the amount of the payment varying with the extent of disability. It also pays pensions in varying amounts to those with non-service-connected disability, under a reasonably liberal income test. Survivors of deceased veterans receive compensation and pension payments under similar circumstances. Supplementary benefits may be paid to dependents of living disabled veterans. Veterans' benefits went to about the same number of aged units as the number receiving public pensions other than OASDHI. Men were more likely to receive payments under the veterans' programs than women, but a relatively large number of veterans' widows were also on the Veterans Administration rolls.

Public assistance, which went to about the same proportion of aged units as private pensions did, was usually paid under the old-age assistance program. But some aged persons received cash assistance payments under the Federal-State programs of aid to the blind or aid to the permanently and totally disabled. A few persons aged 65 or older with grandchildren in their care received payments under aid to families with dependent children.

*Marital status and sex.*—Because married couples with one or both members aged 65 and over were about 3 times as likely as the nonmarried aged to have some income from employment, as a group they had a much higher income level. Thus, in 1967 the median income of married couples, at \$3,370, was about two and one-half times the median for the nonmarried.

The 7.4 million women without husbands were the least likely to work and the most disadvantaged. Their median income was less than three-fourths the median for men. One-third of them reported less than \$1,000 in money income for the year and only 11 percent reported \$3,000 or more. In contrast, 5 percent of the married couples reported more than \$10,000, 28 percent more than \$5,000. One-third of the couples, however, were concentrated in the \$1,500–\$3,000 income range.

An important factor contributing to these differences is that retirement benefits tend to be smaller for women than for men: both because women characteristically earn less than men during their working life (most retirement benefits are earnings-related) and because many women depend on survivor benefits usually set at some fraction of the deceased husband's benefit—82½ percent for aged widows under the OASDHI program.

Asset ownership is highly correlated with size of income. It is not surprising then that the proportion reporting income from assets was about one-third larger among couples than among nonmarried aged persons.

Public assistance fills some of the gap for those unable to work and not eligible for retirement benefits or receiving benefits that do not meet their needs. Even with the assistance payments, however, the total income of those receiving such payments tends to be small. As a group, women without husbands have the lowest incomes and the highest assistance recipient rates. The higher recipient rates at low incomes are even more evident when income size and source for beneficiaries and nonbeneficiaries are examined.

*Beneficiary status and age.*—For a group of the younger couples among the aged, earnings opportunities were presumably good enough to affect the decision not to draw OASDHI benefits. Their incomes were thus likely to be much higher than those of couples with benefits. Almost one-fifth of the couples under age 73 and not yet on the beneficiary rolls had at least \$10,000 in income in 1967, and two-thirds of them had \$5,000 or more. The younger nonmarried men not on the benefit rolls also had generally higher incomes than did those receiving benefits. This fact is clearly evident from the following median income figures drawn from table A:

Type of unit	Married couples	Nonmarried	
		Men	Women
Aged 65 to 72:			
OASDHI beneficiaries.....	\$3, 480	\$1, 750	\$1, 440
Nonbeneficiaries.....	6, 470	2, 100	1, 060
Aged 73 and over:			
OASDHI beneficiaries.....	2, 860	1, 730	1, 210
Nonbeneficiaries.....	2, 600	1, 240	1, 020

On the other hand, among people aged 73 or older and younger nonmarried women as well, beneficiaries had higher incomes than those not having OASDHI benefits. Nearly half the nonbeneficiary women without husbands had incomes of less than \$1,000.

The differing contribution of employment income and retirement benefits in determining the level of total income is emphasized by the fact that the median income of all nonbeneficiary couples as a group was almost two-thirds above that of beneficiary couples—\$5,200 and \$3,200, respectively. For nonmarried beneficiaries the median income was almost one-third higher than that of the nonmarried not receiving benefits and generally not eligible for benefits.

The income of beneficiary couples would have been further below that of nonbeneficiary couples but for the receipt of other types of income. About 40 percent of them had some earnings, and about 30 percent a second pension. Veterans' benefits and asset income were very helpful to some. Among the couples who did not have OASDHI benefits, about one-fourth were drawing retirement benefits of other kinds and 11 percent had to turn to public assistance, compared with 5 percent of the beneficiary couples.

Among the nonmarried, earnings were much less common than among the couples, with beneficiaries differing little from those not drawing benefits. Veterans' benefits were an important source for roughly 1 in 10. Some income from asset holdings accrued to nearly half the beneficiaries without spouses but fewer than one-third of the nonbeneficiaries.

Public assistance was the single most frequent source of income for people without spouses not on the OASDHI rolls: It provided the main support for more than two-fifths of the women and one-third of the men in this category, compared with one-tenth of the nonmarried beneficiaries.

#### SHARES OF INCOME

The wide range in amounts typically received from different sources results in striking differences in the role of certain sources when they are measured in terms of their contribution to total income instead of frequency of receipt.

According to the Survey findings, OASDHI benefits, which were paid to 86 percent of all aged units, provided 34 percent of the 1967 income of units aged 65 and over. Other retirement programs added 12 percent (7 percent from railroad retirement and government employee pension systems and 5 percent from private pension plans) and brought the total from retirement programs to 46 percent. Public assistance added 4 percent and veterans' benefits added 3 percent. Earnings were the second major income source, accounting for 29 percent of the total. Third in importance was income from assets (interest, dividends, and rents), which contributed 15 percent of the total. The remaining 3 percent came from miscellaneous sources, including contributions from relatives and friends outside the household.

As noted above, DECA—like most field surveys—underestimates the aggregate income of the group under study. The shortfall is particularly serious for income from assets and next most serious for earnings. Payments under income-support programs were well reported in the Survey but were still slightly short of the amounts reported by the administering agencies.

*Estimated aggregates.*—Although it was not feasible to adjust the survey income data for missing asset income or earnings, an estimate of the aggregate income of the aged population has been made that takes into account data from a number of sources—the Internal Revenue Service, administrative records, and DECA. According to this estimate, in 1967 some \$60 billion in income (as defined earlier) went to people aged 65 years or older and their spouses. The percentage distribution of this total, by source, is as follows:

Source	Percent
Earnings.....	30
Retirement benefits.....	37
OASDHI.....	26
Other.....	11
Veterans' benefits and public assistance.....	6
Income from assets.....	25
Other.....	2

Because of the Survey underestimate for asset income and, to a lesser extent, for earned income, the adjusted data show a larger share of income coming from assets than does the Survey and they show about the same from employment. Other sources are consequently less important. The ranking in order of importance is the same for the major sources of income to the aged however—retirement benefits, earnings, and asset income.

*Variations in shares.*—DECA data on income shares for subgroups of the aged population help both to round out and to qualify the impressions of the role played by different types of income obtained from the sources data. Thus, receipt of retirement (or survivor) benefits was reported with about the same frequency by the nonmarried as by married couples, but such benefits made up a much larger share of the income of the nonmarried. Assets and assistance also contributed more to the nonmarried, for women in particular, and earnings contributed much less. The larger role of asset income for nonmarried men and women, compared with that for couples, is noteworthy because barely three-fourths as large a proportion of the nonmarried reported any asset income. The very low total income of most aged women without husbands accounts in large part for this apparent anomaly.

Similarly, both retirement benefits and asset income show up as relatively more important on the basis of income shares than on the basis of frequency of receipt when the older group among the aged is compared with those aged 65-72.

When the income shares of OASDHI beneficiaries and nonbeneficiaries are compared, the contribution of asset income among the couples appears much greater for beneficiaries—presumably because their average total income was smaller—even though about the same percentage reported receipt of such income. Earnings appear relatively less important for beneficiaries and relatively more important for nonbeneficiaries on the basis of shares than of the percentage having this type of income. The difference is explained by the fact that beneficiaries rarely have regular full-time jobs and a considerable portion of nonbeneficiaries, particularly the married men, have not yet elected retirement. Even small earnings count for a considerable share of the small incomes of nonmarried nonbeneficiaries.

A striking finding is the considerable importance of the railroad retirement system and, to a lesser extent, staff programs for government employees, particularly among nonmarried men not entitled to OASDHI benefits. Such programs contributed as much as employment, according to DECA findings, for nonmarried men not receiving OASDHI benefits and were second in importance (though not a close second) for nonbeneficiary couples. Such retirement benefits were important mainly to the nonbeneficiaries aged 73 and over. These sources provided half the support for this fairly small group of men, public assistance contributed about a fourth, and earnings very little.

The nonmarried women aged 73 and over not on the OASDHI benefit rolls received about half their income from public assistance and one-fourth from retirement benefits under public programs other than social security. As previously noted, nonmarried men and women aged 73 and over not entitled to OASDHI benefits were especially disadvantaged. Their median incomes—like those of nonmarried women aged 65-72—were below the poverty thresholds.

#### INCOME DIFFERENCES IN PATTERNS OF RECEIPT

The effect of employment and of retirement on size of total income has been implied by the data in the previous section comparing beneficiaries and nonbeneficiaries as groups and classified by age. Here attention is directed first to income-class variations in receipt of other types of income as well, then to the 1967 income-size distributions of aged units (1) with and without work experience and (2) with different combinations of retirement benefits. A series of articles to be published later will give more information on the characteristics of

groups with various income sources, as well as size distributions of earnings, of retirement benefits and of public assistance.

As already shown, OASDHI benefits, earnings, and income from assets rank in that order as sources of income for the elderly. Earnings and income from assets were most frequent income sources for the well-to-do. The OASDHI program was a relatively common source at all income levels, although it was less important for those better off. In the 1,500-2,000 income class, for example, 22 percent had earnings and 38 percent had income from assets; at the upper end of the income range most aged couples had some earnings and some income from assets as well.

Veterans' benefits provided income for one-fifth to one-fourth of the married couples with incomes of \$2,500-\$4,000 and the nonmarried units with incomes of \$1,500 to \$2,500. Aged units with smaller and larger incomes were much less likely to be receiving compensation or pensions under Veterans Administration programs.

Public assistance was important only at modest income levels, and its receipt dropped off sharply above \$2,500. At first it may seem surprising that recipient rates were lower for those with less than \$1,000 in income than for the aged with \$1,000-\$1,500 and even for those with \$1,500-\$2,000, but few of the aged who applied for assistance and were certified as eligible would have had incomes, including assistance, less than \$1,000. In 1967, the United States average old-age assistance payment in cash was \$70 a month, equivalent to \$840 a year; it was more for those with no other income and less for those with some resources. More than half the assistance recipients in 1967 were also OASDHI beneficiaries. For most of this group, benefits and assistance combined should have exceeded \$1,000 a year, even though beneficiaries with benefit amounts at or near the minimum were the most likely to receive such assistance.

Some of the aged with very low cash incomes were dependent on relatives with whom they shared a home. (The extent to which the aged shared living quarters will be reported in a later article.) Some were entitled to the special low-rate benefits which are payable to persons aged 72 and over only for months when no cash public assistance payment is received (are reduced by the amount of any government pension). Since such beneficiaries—mostly women it will be recalled—never earned insured status in employment covered by the social security program, it is improbable that they could find work at their advanced age.

#### WORK EXPERIENCE AND INCOME

In 1967 about half the aged couples had one or both members in the labor force, according to DECA. Almost 800,000 reported that both the husband and the wife worked at some time during the year, and a half-million reported that only the wife worked. The man was most often the only worker, and 1.7 million couples so reported. Thus, 2.5 million husbands and 1.3 million wives had some work experience in 1967. More than one-third of the wives in the 6 million couples had not yet reached age 65.

Of the 3 million couples with neither member working in 1967, 60 percent had less than \$3,000 in income, but 60 percent of the other 3 million aged couples—with at least one member working—received more than \$4,000 (table 9). For those with at least one member earning, the median income (\$4,690) was roughly 80 percent above the \$2,620 median for couples with neither member employed or self-employed.

Among aged persons without spouses, as among married couples, men were more likely to work than women: The proportions were 23 percent and 15 percent, respectively. But the overall proportion of the nonmarried with work experience was barely one-sixth, compared with one-half for the married couples, both because the nonmarried were older and because about three-fourths of them were women.

The comparatively rare earners among the nonmarried were much better off than those who did not work in 1967. Half had incomes of \$2,290 or more, and more than a third had \$3,000 or more. Among those who did not work, median income was \$1,200 and one-third had less than \$1,000.

Of all couples in which only the man worked, about one-fifth were nonbeneficiaries. An exceptionally large proportion (71 percent) of them had incomes of \$5,000 and over, and 18 percent had incomes of \$10,000 or over. When only the wife was working, the husband was usually drawing OASDHI benefits.



Couples not on the OASDHI rolls worked much more often than not. The half-million with one or both members working—usually the husband only—had a median income of \$7,550, about three times the median for the 200,000 nonbeneficiary couples with neither spouse working. In the case of the nonmarried, too, the median income was roughly three times as high for those with some work as for those without. Even among the nonmarried aged with current work experience, however, there was a large group clustered at the bottom of the income range. Those without work account for much of the group previously mentioned as relying on public assistance.

Some of the couples and other aged persons with work experience in 1967 claimed their OASDHI benefits during the year and consequently are excluded when separate data for regular beneficiaries are examined. The regular beneficiary couples were much less likely than nonbeneficiaries to have had some work experience in 1967, but differences in this respect were not significant for the nonmarried.

While the differences in income level between those with and without work experience were much less for regular beneficiaries than for nonbeneficiaries, earned income was nonetheless crucial for the beneficiaries' level of living. Beneficiary couples with neither member working had incomes very similar to those of nonbeneficiary couples without work. Among the nonmarried, beneficiaries without earnings were not nearly so likely as nonbeneficiaries without earnings to have incomes under \$1,000, but they were not much more likely to have even \$3,000 income.

The median incomes of the large numbers of nonworking beneficiaries were very much below those of beneficiaries that did some work in 1967, as shown in chart 4. The median income for couples with one member working at least part of the year was at about the level of the moderate-cost budget for a retired couple. More than three-fifths of the couples with both members working had incomes in excess of that level. Any expenses associated with employment, not included in the budget, would make the situation less favorable. The extent to which benefits were suspended because of earnings or to which earnings may have been limited intentionally, will be explored in later articles.

#### PENSION RECEIPT AND INCOME

As previously noted, about one-fifth of all regular beneficiary units had a supplementary retirement benefit—28 percent of the couples and 14 percent of the nonmarried. Two out of 3 of these pensions were paid under private industry plans—discussed in another article in this issue.

Beneficiaries that also received a pension as a former employee of a Federal, State, or local government or under the railroad retirement system appear to have been in a slightly better income position than those who draw a supplementary private pension. The significant difference, however, is between those with more than one pension and those with no pension or survivor benefit other than OASDHI. The income distribution for beneficiaries with no other pension was very similar to that for beneficiaries with no work experience in 1967.

The 2¼ million couples whose OASDHI benefit was their only pension had a median income of \$2,750, close to the near-poverty threshold and roughly one-third below the median income for beneficiaries with a second pension. Nearly 30 percent of them had less than \$2,000 income and only one-sixth received \$5,000 or more, even though most of the working beneficiaries were in this group.

Half the 1.5 million men without wives who received an OASDHI benefit and no other pension had less than \$1,500 in income and a third reported their incomes as \$1,500–\$2,500. Nonmarried women beneficiaries with no other pension, nearly 5 million in all, had a median income of \$1,230, just over half the median for the small group with a second pension. The beneficiaries who turned to public assistance to help meet their needs were largely women without husbands who had no second pension.

Aged couples that relied on public pensions other than OASDHI had a median income of \$3,750, well above the median for couples who had OASDHI only. This difference reflects the fact that railroad retirement and many government employee systems have much higher benefits than the OASDHI program.

The million nonmarried persons without any retirement pension or survivor benefit were clearly the most disadvantaged of all the aged, with a median in-

come of only about \$1,000. Many of them turned to welfare agencies for support.

By contrast, the vast majority of couples with no pension worked in 1967. Consequently, close to two-thirds of them had incomes above \$5,000. Presumably most of them would qualify for retirement benefits when they retired.

#### THE ROLE OF OASDHI BENEFITS

Clearly, benefits under the OASDHI program are crucial for the support of the aged population. More than four-fifths of the aged units were drawing a regular benefit at the end of 1967 and another 5 percent drew a special age-72 benefit. In aggregate, OASDHI benefits accounted for more than a fourth of the total money income received in 1967 by those aged 65 and older and their younger spouses, after account is taken of the estimated total income from assets and employment that was received by very high-income units. If the 1968 and 1970 benefit increases had been in effect and income from other sources had remained the same, OASDHI would have accounted for about 30 percent of an enlarged total.

Nevertheless, it is evident that OASDHI benefits were not themselves enough to assure a reasonable level of living during retirement or widowhood. Beneficiaries managed fairly well if they had some employment or if they had a second pension. Since few people can count on working throughout their retirement, the combination of benefit income and earnings does not represent a level of income on which retirees and the widowed can rely for life. Those entitled to a second pension have more assurance, but only about 2 in 10 of the regular beneficiaries are so fortunate. One in 10 can count on veterans' benefits. Only a few have private annuities. Many count on returns on their asset holdings to supplement benefits, but few have large holdings and they are rarely at the lower income levels.

#### RETIREMENT INCOME

Although assets may depreciate and may be drawn on with the result that they later yield less income, it has been customary in some analyses to consider asset income a form of retirement income along with retirement and survivor benefits, veterans' benefits, and private annuities.

Half the regular beneficiary couples had less than \$2,150 in retirement income, so defined, and only 15 percent had \$4,000 or more. For beneficiaries without husbands or wives the median total retirement income in 1967 was only about \$1,100.

Except for their benefit under the OASDHI program, median retirement income amounted to barely \$1,000 for the couples with such income and \$600 for the nonmarried beneficiaries that received some. Roughly half the regular beneficiaries had practically no retirement income in addition to their basic benefit: 46 percent of the couples and 58 percent of the nonmarried beneficiaries reported less than \$150 per person for the year.

#### INCOME OTHER THAN OASDHI BENEFITS

Although the size of retirement income (including and excluding OASDHI) received by beneficiaries points to the importance of benefit levels from a long-run point of view, the amount of income that regular beneficiaries receive from all sources other than OASDHI is another indicator of the crucial role of benefits.

With roughly half the regular beneficiary units having neither current work experience nor a second pension (about one-fourth of the couples and two-thirds of beneficiaries without spouses), it is not surprising that so many had little except benefits. About one-fourth of the beneficiary couples and two-fifths of the nonmarried beneficiaries had no money income but their benefits, or less than \$300 per person in 1967. Most of this group that relied so heavily on benefits had less than \$150 per person in income other than benefits. Some of those with more in other income had only public assistance payments, receipt of which involve a means test.

OASDHI benefits have played a considerable role in holding down the size of the aged population in poverty and in mitigating its impact for those who

remain poor. When income other than OASDHI benefits is considered (rather than total income), it is estimated that, if it had not been for these benefits, 2 to 3 times as many beneficiary couples would have been classified as poor in 1967—more than half of all the beneficiary couples instead of one-fifth. Furthermore, the proportion that would have had enough income to cover the cost of the moderate budget would drop from one-third to one-fifth.

Most of the regular beneficiaries without spouses had so little income besides their benefit that such income alone would have meant that more than 8 in 10 were classified as poor and nearly 9 in 10 as poor or near poor—compared with more than 1 out of 2 poor and almost 2 out of 3 poor or near poor when benefits are counted.

The concentration of nonbeneficiaries in poverty or just above is even greater among nonmarried persons not entitled to OASDHI benefits. The characteristics of the poor and those better off will be reviewed later. It is already clear, however, that, of all aged beneficiaries, those entitled to widow's benefits were particularly disadvantaged.

The highest proportions that were poor were among aged units receiving benefits based on minimum and low primary insurance amounts (PIA).<sup>13</sup> Relatively large benefits were of course more effective in reducing poverty. In any case, beneficiaries with larger benefits are more likely than those with smaller benefits to have additional resources. Their nonbenefit income, by itself, however, exceeds the poverty threshold rather infrequently, except for couples with more or less regular employment.

#### A LOOK BACK TO 1962 AND A LOOK AHEAD

In the 5 years ending December 1967, which saw the population aged 65 and older grow by 1½ million, beneficiaries went up from two-thirds to more than four-fifths of the aged population. The drop of 100,000 in this period in the size of the old-age assistance rolls is strong testimony to the important role of OASDHI.

Detailed comparisons of the findings of DECA and of the 1963 Survey must await development of measures of the statistical reliability of the differences, as well as careful analysis of the effects of age and other demographic and program changes. A few trends stand out clearly. The long-term decline in employment of older persons continued, as did the slow but steady uptrend in the proportion of beneficiaries with a second pension.

The median income of all aged couples rose from \$2,875 in 1962 to \$3,370 in 1967 and the median for nonmarried aged persons from \$1,130 to \$1,310—a reflection of various developments in the 5 years between the two surveys. Increases in income levels as measured by the medians were much smaller for regular beneficiary couples and for beneficiary women without husbands<sup>14</sup> than for the corresponding groups of nonbeneficiaries:

Aged units and year	Regular beneficiaries	Non-beneficiaries
Married couples:		
1962.....	2,710	3,580
1967.....	3,200	5,220
Nonmarried women:		
1962.....	1,200	760
1967.....	1,300	1,030
Nonmarried men:		
1962.....	1,380	1,140
1967.....	1,740	1,320

<sup>13</sup> The primary insurance amount (PIA) is the amount, related to the worker's average monthly earnings, that would be payable to a retired worker who begins to receive benefits no earlier than age 65. Some workers receive an amount larger than their PIA because they have dependents also entitled to a benefit. Many more workers receive a benefit smaller than their PIA because they claim it before age 65, and it is thus subject to an actuarial reduction up to 20 percent, depending on the exact age of entitlement between age 62 and age 65.

<sup>14</sup> The trend for men without wives may not be significant because of the relatively small numbers of such men.

The rise of beneficiaries' incomes between 1962 and 1967 would have been smaller were it not for the 13-percent benefit increase enacted in 1965. On the other hand, without that increase and some easing of the retirement test, some who claimed benefits might possibly have postponed their claim. The rise might have been somewhat smaller, too, had it not been for the larger proportion of women who earned their own benefits. On the other hand, the rise in beneficiaries' income would have been larger were it not for the growth in the proportion that had elected reduced benefits in order to come on the rolls before age 65—an option opened to men in 1961, 5 years after it was made available to women.

The gains in the security of persons aged 65 and over as a result of the program of health insurance for the aged<sup>15</sup> are not reflected in the increases in money income. The Medicare program (enacted in 1965) has no bearing, however, on the differential changes in the income of beneficiaries, compared with nonbeneficiaries, because in 1967 the entire population aged 65 and older, whether working or retired, was entitled to insurance against the contingency of heavy medical costs.

Present income levels of OASDHI beneficiaries are already higher than those shown here because of the 1968 and 1970 benefit increases.

In the years ahead, one favorable factor in income levels of the retired will be the rising level of employment of married women. An unfavorable factor will be a continued rise in the proportion claiming benefits before age 65. The Social Security Administration has under way the Survey of New Beneficiaries and the Retirement History Survey, both intended to provide clues to the main reasons for electing reduced benefits. These reasons are important in forecasting the probable outlook for beneficiaries in the years ahead as well as in policy considerations. The outlook may be very different if preference for leisure is predominant in comparison with need for income support because of ill-health or poor employment opportunities. The age at retirement and the extent of post-retirement employment will both be influenced by the general economic climate.

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<sup>15</sup> See Dorothy P. Rice and Barbara S. Cooper, "Medical Care Outlays for Aged and Nonaged Persons, 1966-1968," *Social Security Bulletin*, September 1969, for an analysis of aggregate medical expenditures and the source of funds for meeting them.