Old age - Economic problems
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1971 WHITE HOUSE CONFERENCE ON AGING

INCOME

Background and Issues

by

Yung-Ping Chen, Ph.D.

(L.A.)

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BACKGROUND

Yung-Ping Chen, Ph.D.

ISSUES

THE TECHNICAL COMMITTEE ON INCOME
with the collaboration of the author

Roger F. Murray, Chairman

White House Conference on Aging
Washington, D.C. 20201
March 1971

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Secretariat for the Technical Committee on
Income

FOREWORD

This paper on Income provides information for the use of leaders concerned with the development of proposals and recommendations for national policy consideration and of delegates to the National White House Conference on Aging to be held in Washington, D.C., in November-December 1971.

The first four sections of the paper discuss: the income needs of the elderly; goals proposed by previous conferences and groups; information on knowledge now available relative to the present income status of older people; and vital gaps in this area. These sections of the paper were prepared for the Conference by Yung-Ping Chen, Ph.D., Associate Professor of Economics, University of California at Los Angeles, with guidance from the Technical Committee on Income.

The fifth section of the paper discusses several major issues relevant to the income needs of the elderly. The issues were formulated by the Technical Committee on Income for consideration by participants in White House Conferences at all levels and by concerned national organizations. The purpose of the issues is to focus discussion on the development of recommendations looking toward the adoption of national policies aimed at meeting the income needs of the older population. The proposals and recommendations developed in Community and State White House Conferences and by national organizations will provide the grist for the use of the delegates to the national Conference in their effort to formulate a National Policy for Aging.

Arthur S. Flemming
Chairman, National Advisory Committee
for the 1971 White House Conference
on Aging

John B. Martin
Special Assistant to the President
for the Aging and Director of the
1971 White House Conference on Aging

ACKNOWLEDGMENTS BY THE AUTHOR

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Yung-Ping Chen

Los Angeles, June 1971

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I. INTRODUCTION—THE NEED

A. INCOME PROBLEMS IN OLD AGE

It is widely recognized that income is one of the most powerful forces which affect the life of a person or that of a family. In order to achieve a sense of economic and psychological well-being, a certain adequate level of income as well as the assurance that such income will continue are of fundamental concern to everyone. In short, adequacy and security of income are among the basic preconditions of a person's or a family's welfare. This is not to say that income is the overriding issue in a person's life—for it is not. But it is at least a prime mover in the marketplace, a force that affects the young and old alike. Moreover, the collective welfare of society would be enhanced when adequate and secure income is available to all its members. Society's welfare could be enhanced by the increased harmony among people through reduction of discontent and fear, alienation, and antisocial behavior. Societal welfare could also be enhanced by the reduced incidence of mental and physical health problems which most probably would result from improved conditions of life.

Many needs of the elderly and many problems of isolation and unhappiness facing the elderly may be traced to the inadequacy and insecurity of their income. Even when such hardships are not directly caused by a lack of income, insufficient financial resources most certainly would aggravate the discomfort and misery that are visited upon the old. Adequate and secure retirement income may well be a very significant preventive or at least ameliorative factor.

When income is secure and adequate, any person, young or old, may compete in the marketplace for food, shelter, and clothing, for medical and educational attention and the like, because the satisfaction of such basic human wants indeed depends on the command of dollar votes. Further, when such income is available, there would be less need for public policy to provide alternate markets through which special prices, free services, and facilities are made available. However, in a society which is making progress toward reducing economic poverty (defined in money terms, as opposed to cultural, moral, spiritual poverty; hereafter referred to as "poverty"), a strategy to bolster the income of the poor would be strengthened when it includes efforts to improve the availability and quality of public and private services. Such efforts would enable the underprivileged to gain better information and skill, and more ready access to the basic amenities of life. Even though income inadequacy is defined in money terms, it does not necessarily follow that all problems associated with inadequate income can be solved simply by giving people more money. **It is debatable, for example, whether increases in income without improvements in the availability and quality of facilities in health care, housing, transportation, and other public and private services would permit the elderly to fully participate in family and community life.** The supplementary role of services and facilities is particularly significant in the short run. Other background papers will deal with these and other needs areas.

While there is little dispute that income adequacy and income security are universally desirable, there is no consensus on what level of income is adequate and what degree of protection is secure. A solution to the income problem involves a host of issues including the various demands on income. Income need is a **relative** and not an **absolute** concept; **there is no single measurable level of income that may be regarded as fulfilling all income needs of every person.** Even minimum subsistence levels of income differ according to the country or community in which a person lives. Of course, statistically, it may not be too difficult to suggest several income levels that meet the basic needs in life, such as poverty "threshold" incomes computed in accordance with age, family size, and the like (See Table 1.). Although consumer budgets have been estimated for one purpose or another, they can only be used as general reference points. Substantial variations exist among persons insofar as consumption patterns and expectation levels are concerned. Not only do standard budget figures vary among different places of residence (North or South, metropolitan or nonmetropolitan, for example), but wide differences are also observed between standard figures and actual expenditures by persons and by families (See Chart 1. and Table 2.). Medical care expenditures, for example, can be variable among families as well as for the same family over time, so variable, in fact, as to render budget allowances unrealistic.

Estimates of adequacy of income based on poverty, near-poverty, or various other standards of living may be misleading from yet another point of view. For the aged, these estimates may fall far short of the standard of living to which they have become accustomed prior to retirement. And unless they are psychologically prepared to accept a lower (or much lower) standard, a serious loss of morale will ensue. Thus, while a budget may cover the physical requirements of a person, it may not provide much psychological sustenance. Of course, not everyone is necessarily entitled to obtain what he "expects." However, it seems appropriate to suggest that financial and other mechanisms should be made available so that those persons who desire and choose to do so may have a chance to realize their expectations.

There is no intention here to question the importance of estimating budgets for various standards of living. In any attempt to abolish poverty—for example, through a program providing cash income to the poor—there clearly is a need for an estimate, albeit rough, of what the contemporary standards are. Rather, the intention is to suggest that in considering income adequacy in old age, close attention should be paid to the relationship between preretirement and postretirement income. **In an economic system in which personal incentive and responsibility are rewarded differentially in general accordance with individual contributions, it follows that the preservation of these differentials in retirement income is desirable.**

Another important issue that affects retirement income also deserves close attention. While income may be adequate at the time of retirement, it may become inadequate as time passes (Epstein, 1963; Merriam, 1966; Kreps and Blackburn, 1967). This unfavorable development may occur for three major reasons. First, assuming a relatively fixed income, its purchasing power will decline with price inflation. Second, assuming improvement in the living standard of the working population, the living standard of the retired—as supported by their relatively fixed income—will fall behind that of the working (nonaged) population, leading to feelings of "relative deprivation and insecurity" in terms of contemporary living standards of the society at large. Third, to the extent to which assets are drawn upon for supplementation—interest, dividend, and rental income will be reduced over time.

There is little doubt that this society has the material resources to abolish poverty or eliminate absolute deprivation, especially if such a goal is to be achieved over a reasonable period of time (say, by the year 1976 or by the end of this decade). However, the need to devise mechanisms that sustain personal initiative and motivation (during working years) cannot be overemphasized. This twin goal of maintaining individual contribution (while working) and collective effectiveness (of the society as a whole) concerns income differentials above the minimum poverty threshold level. That is, in order to sustain productivity as well as morale, it would seem necessary that postretirement income hold a "reasonable relationship" to preretirement income. If income declines severely for a large number of people because of retirement, this will affect the spirit of the old, who then feel that "relative deprivation or insecurity" referred to above. But it might also adversely affect the incentive of the young, who face such uninviting prospects later on. Some may argue that the young do not really think ahead toward retirement, or that the young may give some thought to retirement but they do not care about what might happen in the distant future. It is possible also that there is a great diversity in personal preferences in this matter. This problem will be explored in Section III.A. Retirement Income Adequacy and the American Standard of Living.

In summary, income is one of the extremely important determinants of an individual's sense of well-being. A solution to the income problem can bring with it solutions to many other problems of old age, such as social isolation in the form of rolelessness, and psychological deprivation in terms of worthlessness. But in seeking to solve the income problem, adequacy and security of income both should be considered, with close attention paid to absolute or minimum as well as relative adequacy of income during the entire period of retirement. To use an analogy, the ladder of human success and fulfillment should rest on a firm basis, but it should rise at a reasonable angle so that it can be mounted with confidence. Although the degree of that angle can be argued, there can be no question that the eradication of poverty or destitution will provide a firm foundation for the ladder (Brown, 1970). It might be added that this ladder analogy is used in reference to preretirement achievement which forms a basis for postretirement income. The analogy does not imply, however, that income is expected to continue to rise after retirement and at the same degree as before, but that the goal is a reasonable relationship between the two income levels.

II. LONG-RANGE GOALS

Title 1 of the Older Americans Act, Public Law 89-73 (U.S. Department of Health, Education, and Welfare, 1970), lists ten objectives in which Congress recognized the general responsibility of all levels of government toward the well-being of older members of our society. The first objective enunciated is "[A] n adequate income in retirement in accordance with the American standard of living." The Act became law on July 14, 1965. What level of income is adequate and what is the American standard of living, however, are not specified.

Before and since passage of the 1965 Act, various commissions, conferences, task forces, and other bodies concerned with the aging and the aged have unfailingly placed emphasis on the subject of income. In the legislation calling for the 1961 White House Conference on Aging, Congress intended that recommendations and plans be developed by all levels of government and their citizens to enable, among other objectives, "retired persons to enjoy incomes sufficient for health and for participation in family and community life as self-respecting citizens." In the same Act it declared the policy of Congress, that "in all programs developed there should be emphasis upon the right and obligation of older persons to free choice and self-help in planning their own future."

The report of the most recent Presidential Task Force on the Aging *Toward a Brighter Future for the Elderly* (1970) includes several recommendations which specifically deal with income problems of the aged. Two recommendations are concerned with bringing all aged up to the poverty line as established by the Government, another two specifically deal with possible means of strengthening private pension plans as a source of retirement income, and still another two direct their attention to improving the Social Security system as a retirement income mechanism. There is, also, a recommendation calling for a comprehensive review of income needs of the aged with a view toward creating a new or revised economic security system for the elderly before the end of the decade. The naming of the decade of the 1970's for such an achievement is of far-reaching significance.

In a recent report, the U.S. Senate Special Committee on Aging (1970c) emphatically states that "[O] ur Nation, during this thirty-fifth anniversary of the Social Security program, has not yet resolved retirement income problems which severely damage the economic status, morale, and even the health of millions of Americans, including many well above the poverty line," (p. 1) and "[I] t is within the power of this Nation, . . ., to make the 1970's the decade in which this Nation will achieve its declared goal of 'an adequate income in retirement in accordance with the American standard of living.' " (p. 2) The Committee feels "an obligation to declare that the retirement income *problem* in the United States had become a retirement income *crisis*" and the Committee states that ". . .action *must* be taken early in the 1970's because the problem is so grave" (p. 2) (emphasis in original).

According to the minority views of the same report, "While many needs of older persons—physiological, emotional, psychological, and spiritual—must be given recognition, the number one priority is to achieve decent living standards for all older citizens. . . . The fact remains, however, that the chief problem is individual income" (p. 193).

The long-range goals may be summarized as abolition of poverty, and the provision of income adequacy and security, consistent with individual and collective responsibility conforming with the American standard of living. For only when income of the aged is adequate and secure may the aged be expected to lead meaningful, self-respecting, and independent lives. More broadly speaking, public and private policy for assuring adequate retirement income should be concerned with *all* people, for only when economic and social circumstances make it possible for people to earn and save while they are young may there be a wide range of choices open to them when they become old. From a policy point of view, the critical question is how to best achieve these goals. This question will be dealt with in Section V. Issues. In designing policy measures, it is important to bear in mind that the aged, like the nonaged, are a heterogeneous group of individuals. It is also important to draw a distinction between the present aged and the future aged, because those now old have problems requiring immediate solutions and have little time to wait.

In Section III. Knowledge Available, which follows, retirement income adequacy and the American standard of living will be discussed first, because these remain essentially undefined although forming the goals which public and private policies are designed to attain.

III. KNOWLEDGE AVAILABLE

A. RETIREMENT INCOME ADEQUACY AND THE AMERICAN STANDARD OF LIVING

Discussions of retirement income are replete with such expressions as "abolishing poverty," "sufficient income to live on a standard of health, decency, and comfort," "enough income to provide a living with a certain amount of dignity," and the like. These concepts—decency, comfort, dignity, and so forth—can mean very different things to different persons. Even the condition of poverty holds different meanings for people with divergent viewpoints. As a matter of fact, if poverty is defined in a relative sense—for example, in terms of the lowest 10, 15, or 20 percent of the income distribution—obviously it is impossible to abolish because such a segment of income always exists statistically.

It was stated in Section II. Long-Range Goals, that neither the adequate level of income nor the American standard of living are specified in public pronouncements on the goal of retirement income. This observation does not carry with it criticisms for the lack of specification. What it does reflect is that income adequacy and the American standard of living are ideals that are subject to various interpretations. Income need is a relative and not an absolute concept, and therefore one person's adequacy may be another person's inadequacy (Bok, 1967; Schulz, 1969). Likewise, the American standard of living is a condition of life that is changing with time; the standard of living in the 1970's is certainly going to be different from that in the 1960's or in earlier decades. Although there may never be any consensus on income adequacy and on the American standard of living, some operationally useful definitions are required, if the goal on retirement income as stated in the Older Americans Act is to be translated into reality. What follows is an attempt to provide a basis for defining the contents of this goal.

1. Definitions of Adequacy

Adequacy of income might be construed as those levels of income that would avoid various degrees of poverty (thus eliminating "absolute deprivation") according to the income benchmarks defined by the Social Security Administration (See Appendix A.). Or it might be interpreted as those levels of income that would meet other standards of living, such as the various standard budgets estimated by the Bureau of Labor Statistics (See Appendix B.). Since income adequacy is a relative notion with social, psychological, as well as economic dimension, adequate retirement income might be expected to bear a "reasonable relationship" to income before retirement in order to avoid feelings of "relative deprivation or insecurity." A level of income that is adequate at the start of retirement, however, may become inadequate if its purchasing power declines with inflation. An adequate income when retirement begins may also become inadequate if economic growth raises the standard of living of the working population in general but offers no improvements for the retired. In both instances, feelings of relative deprivation or insecurity would result. Again we see that income adequacy is a relative and a dynamic rather than an absolute and a static concept; income security as discussed above is a necessary ingredient of income adequacy. As a convenient shorthand expression for income adequacy and income security, "income sufficiency" may be used. While income sufficiency may be hailed as an ideal objective, there is no consensus on what level of income constitutes adequacy and what level of protection of that income affords security.

As pointed out earlier, "American standard of living," too, is a relative and a dynamic rather than an absolute and a static notion. Perceptions of what the American standard of living is likewise vary among individuals. This is particularly true when this standard of living is discussed in the context of assuring sufficient income for the retired, because at least part of that assurance comes from transferring income from the working to the retired.

One of the first important questions is what level of income may be considered as providing "minimum or absolute adequacy." There seems to exist a wide agreement that a poverty-level income is inconsistent with the so-called American standard of living, judging from public and private discussions and programs designed to lift people out of poverty. As a working definition of income for the aged, in round numbers, the 1969 poverty threshold incomes of $2,200 for a couple and $1,750 for unmarried persons may be taken to approximate those levels of income required for minimum physical subsistence (See Table 1.). As observed earlier, differences among people in their views of the world include varying opinions on what is the poverty level of income. As a response to the interest in considering alternative poverty levels, recently the Census Bureau has tabulated data on persons with incomes 25 percent below and above the generally used poverty thresholds such as the figures on aged couples and aged single persons cited above. Data on these two alternate poverty levels (below 75 percent of the poverty level and below 125 percent of the poverty level) have not been officially published as yet. They should be available shortly. (See Appendix A. for the derivation of the poverty index.)

Although it is comparatively easier to suggest a minimum adequacy of income that might eliminate "absolute deprivation," it is far more difficult to suggest what level of income provides psychological sustenance beyond the minimum physical subsistence—a level of income necessary to avoid "relative deprivation." The expression "reasonable relationship" has been used in the previous mention of postretirement to preretirement income and of a living standard of the retired as compared with that of the general working population. What is reasonable, however, is not capable of objective, quantifiable measurement, and a subjective notion of reasonableness reminds us once again that one person's reasonable relationship may be another person's unreasonable relationship.

The "relative adequacy" level of income is a highly variable and debatable notion: it depends upon the preferences of individuals with respect to their lifetime allocation of income and consumption. Some prefer to consume more when they are young and less when they become old, while others would want to moderate their consumption in early stages of life in preparation for more income in retirement. In a society in which there is a strong belief in personal preferences and a heavy reliance on individual initiatives, it may be argued that choices about distribution of income and expenditures over a life cycle should be left to the individual. However, the ideal of maintaining as much freedom of choice as possible in the management of one's financial and other matters may never become a reality for some people, either because they may suffer from miscalculations or because they may fall victim to forces beyond their control. A compromise between these two points of view may be acceptable to society at large.

Such an approach would call for a compulsory public retirement program to provide income *up to a level.* Beyond that, individuals would be expected to provide for their own. This is in fact the system of divided responsibility for providing retirement income that exists today in this country. However, this crucial question remains: What level of income is a compulsory public retirement program designed to provide? Is it the "minimum adequacy," designed for the avoidance of poverty? Surely a level of income below the poverty line is contradictory to the American standard of living; but does the American standard *merely* call for the abolition of poverty or absolute deprivation?

It seems equally clear that the American standard of living cannot be based on what the most fortunate members of society may attain (maximum adequacy). Thus, the objective of assuring provision of "an adequate and secure retirement income in accordance with the American standard of living" may imply a system of retirement income provision, under which the retired will be assured of (1) a "minimum adequacy" of income which is guaranteed by society, (2) a "relative adequacy" level of income to be generated from group plans (both government and nongovernment) and, (3) a "maximum adequacy" level of income to be determined by and planned for the individual himself. One major elderly group, for example, has proposed major revision of the Social Security system based upon the "relative adequacy" concept (Nash, 1970).

Discussions of "reasonable relationship" between preretirement and postretirement income have been conducted for many years, but they have dealt usually with the relationship between earnings covered by a Social Security program and the benefit payments from it (a "replacement rate," in short). In recent years many countries of Europe have sought to greatly increase the replacement rate. For example,

> The Government Party of Belgium has aimed at an eventual 75 percent of *lifetime* earnings, and Italian legislation has set a goal at 80 percent of earnings in the last three years of work. In the United States, some social planners currently speak of an assured flow of income of probably 50 percent of the earnings of recent years—not the lifetime earnings—for a single worker and 66 2/3-70 percent for a couple (Horlick, 1970).

The standard family budgets estimated by the Bureau of Labor Statistics (BLS) may be used as a guide for thinking through the question of relative adequacy of income. In spring 1969, for a retired couple (with husband age 65 or over and wife not in paid labor force), the lower budget required $2,902, the intermediate budget, $4,192, and the higher budget, $6,616. If these budgets were used as benchmark income figures, retirement programs could be designed under which earnings and benefit replacement relationships would produce retirement incomes that approximate these income levels based on earnings histories of the covered workers. (See Appendix B. for the retired couples' budgets.)

BLS has also devised an "equivalence scale" as an objective means of identifying equivalent levels of consumption for families of varying composition. The latest such scale estimates that a single person age 65 or over requires 28 percent, and an average retired couple 52 percent, of the standard budget required by a city worker's family with head between ages 35-54, a wife and two children (the oldest child six to 15 years of age). Rather than compare a middle-aged family with a retired couple, it is perhaps more appropriate to compare the BLS equivalence scales for couples aged 55-64 and couples aged 65 or more; the scales show only about a 13 percent difference in goods and services needs. (See Appendix C. for the city worker's family budgets and Appendix D. for the "Equivalence Scale.")

2. Maintaining Adequacy in Retirement

Even when some measure of agreement is reached on the level of relative adequacy of income with regard to preretirement and postretirement income, there remains the all-important question of how to provide it. Since income security is an ingredient of income adequacy, another question of equal significance is how to ensure security of retirement income over time, in view of the continuing price inflation which erodes the purchasing power of an initially adequate level of income when retirement begins.

Another aspect of relative adequacy deals with the standard of living of the retired during the entire period of retirement, as compared with that of the working population at large. Basically, this question concerns the *relative* rates of increase between the income of the retired and the income of the working. Because the retired are not participating in the productive process, their income position will worsen relative to that of the working when the latter receive higher incomes as a result of economic growth. This disparity widens as the retirement period lengthens and as the economy grows more rapidly.

Of course, it could be argued that since the retired are not working, they receive leisure as a form of compensation, whereas the working are currently productive and therefore gain more income as a return. However, leisure among the aged may be voluntary or involuntary. A compulsory retirement age and inducements to early retirement, as discussed in the Background Paper on "Retirement," certainly raise the question of how much leisure among the elderly is being *enjoyed* and how much of it is being *endured.* Moreover, since economic growth, like progress in other fields of human endeavor, is built upon past contributions, and since the retired participated in laying the foundation of that progress in their working years, it could be argued that they, too, deserve recognition in the form of higher retirement incomes as current productivity and production advance. Even if this view is accepted, the methods by which higher retirement incomes are to be made available would be an important question.

With regard to income security (as opposed to income adequacy) protection against the erosion of purchasing power of a given amount of retirement income could be provided in several ways. One possibility would be to make ad hoc adjustments to Social Security benefits, as has been the case; but this rather unsystematic method may not be the best device. Another possibility would be to provide automatic adjustment in accordance with increases in the cost of living. In order to make this a viable means of adjustment, it seems that the taxable earnings base should be adjusted upwards as well.

A third possibility might be to invest the trust funds under Social Security in Federal Government bonds, which would provide constant purchasing power (Constant Purchasing Power Bond). The ability of the government to honor such obligations would come from the larger tax base (in general) during inflationary times and from economic growth over time.

With reference to providing income security for the retired in terms of comparing their income with that of the working nonaged, there are likewise several possibilities. One method may be for society to assign, albeit somewhat arbitrarily, a certain percentage of the rate of economic growth from year to year as a basis for increasing retirement income of the elderly (Spengler and Kreps, 1963). This method would be premised upon the contention that current economic progress can be in part traced to the contributions of the past which the retired of today as a group have helped to make. Another method, somewhat similar to the one mentioned above, might be to invest all trust funds under Social Security and part of the funds in private pension plans in the "constant purchasing power bonds" referred to in the preceding paragraph.

The ability of an individual and the society to provide adequate and secure retirement depends on available resources and the demands on them, both of which are influenced by economic as well as demographic factors. Demographic trends and their implications will be taken up as the next topic.

3. Alternative Means of Obtaining Adequacy

At the present time, retirement income is derived from a variety of sources—those sponsored by government programs, those under auspices of labor and business group plans, and those built up through the personal efforts by the individuals and their families. Given this system of shared responsibility, the question naturally arises as to what are the respective roles of collective actions (both government and nongovernment) and individual personal efforts. There may never be any consensus on the proper mix of this responsibility. However, assuming personal preferences and individual initiatives are to be encouraged, it would seem appropriate to suggest that the multiple system that now exists be maintained and expanded to widen the range of choices and extend as much flexibility as possible. On the other hand, recognizing that (1) income adequacy and income security in accordance with the American standard of living is a desirable goal, (2) the ideal of maximum freedom of choice may not become a reality for some people, and (3) below-poverty level of income is inconsistent with the American standard of living, it appears clear that the provision of a "minimum adequacy" level of income in order to eradicate poverty or absolute deprivation is a program the society as a whole would underwrite.

Relative adequacy is also a component of the American standard of living. As pointed out previously, the assurance of relative adequacy in retirement income has as its basic purpose the relief of feelings of relative deprivation. A tentative benchmark income which represents approximately one-half (40-50 percent) of preretirement income was earlier suggested as a point of departure for discussion purposes.

Provision of relative adequacy level of income would be a much simpler problem to handle if there were only one mechanism, for example, Social Security, instead of many mechanisms of which Social Security is only a part. Under a system of multiple programs, coordination among them is a significant question: What is the optimal mix of these programs? The difficulty is also compounded when retirement income is derived from voluntary actions as well as from compulsory programs. The reason is that the previous question of the optimal mix is made complex by the degree or scope of available choice. To be more specific, the complexity in terms of how to provide or generate relative adequacy level of income lies squarely in the relationship between these competing as well as complementary methods of income provision. For example, more contributions into Social Security would result in higher benefit payments for retirement, and the same holds true for private pension plans. However, some choice has to be made between contributing more into one or the other in cases where both methods are available to a worker. Moreover, more contributions into either or both of these programs will of necessity reduce one's ability to save privately by accumulating real or monetary assets after meeting the many expenses for daily living.

Given the wide variations in preferences and life styles among people and given the diversified sources of retirement now in existence, the questions of how to assure relative adequacy might be answered by devising a well-integrated mechanism under which the sum total of retirement income derived from both Social Security and private pension plans would amount to the tentative 40-50 percent of preretirement income. As pointed out before, the replacement rate that is often discussed relates to the Social Security system alone. Social Security does not extract contributions on *total* income of a worker, rather, only a fraction of a worker's income is subject to that tax. Customarily, private pension plans are designed to supplement what a worker may expect from Social Security. In a recent study, the estimated replacement rate for an average worker covered by Social Security in the United States ranged from 29 percent for a single male full-time industrial worker to 44 percent for a couple if the retiree was age 65 with wife of the same age and had ceased work at the end of 1968 (Horlick, 1970).

At the present time, there are no firm data on which to analyze what the combined retirement income from Social Security and private pension plans represents in terms of preretirement income. There seems an urgent need to develop research plans to utilize existing and new income data, both pre- and postretirement, in order to estimate the magnitude of the lack of relative adequacy among the elderly.

B. DEMOGRAPHIC TRENDS AND THEIR IMPLICATIONS

In 1930, persons 65 years of age or over numbered 6.6 million; today there are about 19.8 million in this age category. It is estimated that the aged will total 23.5 million in 1980 and 27.5 million in 1990. The numerical importance of the aged may also be shown in the proportion they represent in the total population. This proportion grew from 5.4 percent in 1930 to 9.6[1] percent in 1970, and is estimated that it will rise to 10.4 percent in 1980 and 11.1 percent in 1990 (See Tables 3 and 4.).

In the two decades from 1930 to 1950, the American population was aging, that is, the median age of the population increased from 26.5 to 30.2 years. Between 1950 and 1970, however, the population has grown younger, the median age decreasing from 30.2 to 27.7 years. According to the most recent population projections for the period 1970 to 1990 made

[1]Since this paper was completed, published population figures for 1970 are now available making this figure 9.9.

by the Census Bureau, the median age is estimated to rise from 27.7 to 29.3 years in 1980 and to 31.6 years in 1990 (See Table 4.).

The ratio of the number of persons 65 years old or over to the number of persons between age 20 and 64 (commonly referred to as "old-age dependency ratio," though not completely accurate because not all 65 years or over are dependent) has been rising since 1930—from 9.7 percent to 18.4 percent[2] in 1970. This ratio is expected to rise to 19.3 percent in 1990 (See Table 4.). Analysis of the trend of this ratio shows that a very limited further rise is expected in this decade, and a small rise (in historical terms) in the next decade. It should be pointed out, however, that this ratio uses age 65 as a dividing point. If the age limit is lowered to 62 or 60, owing to early retirement, the slower rates of increase in this ratio (compared to those in the last few decades) expected in this decade and the next may have to be revised.

Life expectancy for men at age 20 increased between 1900 and 1960 from 42.2 to 49.6 additional years beyond the age of 20. At the same time, worklife expectancy increased only very slightly—from 39.4 years in 1900 to 42.6 years in 1960. As a result, the number of years in retirement went up from 2.8 years in 1900 to 7.0 years in 1960 (See Table 5.). The large gain in life expectancy took place in the first half of the century. Between 1950 and 1960 only 0.7 years was added. It is open to speculation as to how much more longevity may be realistically expected in future years. Major breakthroughs in the fields of physiology and medicine will be required to produce increments in life expectancy that are larger than that which may now be estimated. Despite its rise of 3.2 years between 1900 and 1960, worklife expectancy declined by 0.5 years from 1950 to 1960. Early retirement trends, if continued, will cause further reductions.

The lengthening period of retirement years, the increasing proportion of retirement years to working years, and the aging of the population—together with the growing dependency ratio—give rise to implications for income maintenance in old age. One set of implications affects the transfer of income from the working to the nonworking population, while another set involves the transfer of income from the working years to the nonworking years. These transfers are made more difficult in a society that is aging because there are more aged to be supported, and also because for each year in retirement there are fewer working years in which to accumulate income for retirement use (Spengler, 1969). To provide a balanced perspective, however, it should be recognized that these problems should be less acute in the 1970's and 1980's because the major demographic changes have already occurred. A somewhat optimistic note may thus be sounded for today's workers (tomorrow's retirees) about their retirement income problems as compared with today's retirees (yesterday's workers). Of course, these income transfer problems would be less burdensome if productivity of the individual and of the society increases. These problems are made more difficult when gains in productivity are partially or totally offset by price inflation, necessitating larger transfers to maintain a given level of real retirement income.

Table 3, on the composition of the aged population by age and sex, reveals a few interesting demographic changes with income maintenance implications. Changing composition of the subgroups in terms of male-female ratio and in terms of the proportion of the older aged (those 75 and over and 85 and over) in the aged population will now be analyzed.

First, let us look at sex distribution among the aged. For every 100 males, there were in 1930, 99 females; in 1960, 121; in 1970, 136; and an estimated 144 in 1980 and 148 in 1990. The increasing proportion of females in the aged population is clearly shown by these figures. However, the largest increase in the female-to-male ratio took place between 1960 and 1970, and from the standpoint of income maintenance in old age, this phenomenon explains in no small measure the special economic plight of today's aged females.

Second, let us take age breakdowns among the aged. The proportion of the 75 and over group in the aged population (65 and over) rose from 29 percent in 1930 to 34 percent in

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[2]Since this publication was completed, published population figures for 1970 are now available making this figure 18.9.

1960, and to 38 percent in 1970. This ratio is estimated to become stabilized at about 38 percent through 1990.

Over the years, the 85 and over group has become a distinct "older aged" group. They numbered 930,000 in 1960, 1.3 million in 1970, and are estimated to be 1.8 million in 1980 and 2 million in 1990. In terms of proportions, this 85 and over group represented 5.6 percent of the total aged in 1960, 6.7 percent in 1970, and is expected to be 7.6 and 7.4 percent in 1980 and 1990, respectively.

From the retirement income point of view, the emergence of older aged groups up through the 1960's offers a great deal of explanation for the very low economic status in which persons 75 and over find themselves today. In a sense, the economy or public policy was ill-prepared between 1960 and 1970 for the arrival of a "bumper crop" of these older aged—38 percent increase for the 75 and over group and 44 percent for the 85 and over group.

With respect to both of these older groups (75 and over and 85 and over), the rate of increase in their proportion in the aged population (65 and over) is expected to decline. For the 75 and over group, a 16 percent rise is estimated in the 1970's and a 20 percent rise in the 1980's. For the 85 and over group, a 34 percent addition is estimated from 1970 to 1980, and a 14 percent addition from 1980 to 1990. In view of these expected trends, the older aged persons in the future may be expected to be better situated financially than today's older aged. They may be expected to be better off because there would be proportionately fewer of them, and they are now recognized as a distinct subgroup among the aged.

There is another noteworthy point. Females comprise the majority of the 75 and over and the 85 and over groups. This is not surprising in view of earlier references to the female-to-male ratios. However, this point bears emphasis from the standpoint of income maintenance for the older aged females. In the 75 and over group, females represented 57 percent in 1960 and 60 percent in 1970, and their proportion is expected to rise to 63 percent in both 1980 and 1990. In the 85 and over group, females accounted for 61 percent in 1960 and 62 percent in 1970—a nearly identical proportion; however, females are estimated to increase to a 66 percent and 67 percent proportion of this group in 1980 and 1990, respectively. Although in both instances, the proportion of females in the older aged groups is expected to stabilize from now until 1990, the trend is upward in the two decades hence. *If income maintenance policy for the future does not take into account this aspect of demographic development, the economic status of these older aged females will develop into a major problem, similar to today's aged females.*

C. LEVELS AND SOURCES OF INCOME

1. Levels of Income

In 1958, the total income from all sources received by persons aged 65 and over was estimated between $25 and $30 billion (White House Conference on Aging, 1960). According to the latest available information from the Social Security Administration found in its "1968 Survey of the Aged," in 1967 the aggregate income of persons age 65 and over, including their spouses if present, was about $61 billion (Bixby, 1970). The Social Security Administration in conducting the survey and also in the 1963 Survey (Epstein and Murray, 1967) used as the basic interview unit a married couple living together with at least one member age 65 or over or an unmarried person aged 65 or over. (Although the 1963 survey included persons age 65 or older, the data for those age 65 and over were separately tabulated and analyzed.)

Since the methodology was consistent in the 1963 and 1968 surveys, the analyses here of income-level changes will focus on what transpired between 1962 and 1967. For 1962, the aggregate income from all sources received by persons age 65 and over (including their spouses, if present) was estimated at a little more than $38 billion (Epstein and Murray, 1967), and for 1967 at about $61 billion, as stated and cited above. During this five-year period, the total income of the aged units increased by more than 60 percent. However, since the number of aged units went up more than 11 percent (from 14.2 million to 15.8 million) and the price level increased by about as much (the Consumer Price Index went up from 105.4 to 116.3), real income per aged unit is a more meaningful measure of income change. With adjustments for population and price increases, the estimated real income (average or mean income) per aged unit increased from $2,543 in 1962 to $3,329 in 1967 (both expressed in 1957-59 dollars), an increase of about 30 percent. An estimate of 30 percent improvement in income per aged unit in *constant* dollar terms would seem rather high. For, according to the Census Bureau, the *median* income in constant dollar terms of aged families increased only by 11 percent between 1962 and 1967, when the rate of increase for other age groups ranged from 17 percent to 25 percent (See Table 6.).

The difference between these two improved factors—30 percent vs. 11 percent—in the income of the aged over a five-year period cannot be fully explained by the difference between the mean income and the median income nor by the definitional differences between the surveys by the Social Security Administration (the aged units) and the Bureau of the Census (families by age-of-head, in this case, age 65 and over). Discussions held at the various Federal agencies including the Social Security Administration and Bureau of Labor Statistics have led this author to believe that the 1962 income of $38 billion could have been too low for that year. The major problems seem to center around the underreporting of income from assets and income from employment. Unfortunately, the extent of the suspected or possible underestimation of the 1962 aggregate income cannot be ascertained at this time. Even if the 1962 aggregate income is raised by about 10 percent, the increase in the average per aged unit income in constant dollar terms is still more than 25 percent between 1962 and 1967. (Of course, it should be realized that the same problems have plagued the "1968 Survey of the Aged" as well.) Whether or not the $61 billion figure for 1967 needs further adjustments is open to speculation at this time.[3]

2. Sources of Income

There are a number of sources from which the aged derive their incomes, namely: employment, Social Security and other public pensions, veterans benefits, private pensions, income from assets, public assistance, and other sources such as contributions of relatives and friends. During the decade from 1958 to 1967, some changes occurred in the relative importance of these income sources (See Table 7.).

First, income from employment showed a steady decline, dropping from 37-38 percent to 29-30 percent.

Second, Social Security, on the other hand, showed an increase from about one-fourth to about one-third of the aggregate income of the aged.

Third, private pensions did not exhibit any clear trend over the entire period; however, an increase from 3 percent to 5 percent was observed in a five-year period, 1962 to 1967.

Fourth, income from assets was estimated to be 14 to 23 percent of aggregate income received by the aged in 1958. This fairly broad range is possibly due to lack of firm data and the inclusion of contributions from relatives and friends. Comparing 1962 and 1967—depending upon assumptions as to whether adequate adjustments have been made to correct underreporting—income from assets as a source of income either did not change, staying at 15 percent, or increased from 15 percent in 1962 to 25 percent in 1967, a very dramatic increase. This is an unsettled issue as the discussion in the previous section on levels of income shows.

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[3]After consultations with Federal officials on this matter this author concludes that the adjustments to the 1962 and 1967 income shares from different sources were made on quite different bases. Apparently no complete account was taken of the known underreporting of assets in the 1963 Survey. Therefore, any statement regarding the trend in aggregate income received by the aged units should be qualified by these considerations. However, it appears that from 1962 to 1967 there was indeed a substantial improvement in the *real* income of the aged units, probably in the neighborhood of more than 20 percent.

Fifth, public assistance became an even more minor source of income, declining from between 5-7 percent in 1958 to 3 percent in 1967.

Finally, public pensions other than Social Security and veterans benefits, as well as the miscellaneous ("other" category), remained about the same during these years.

For 1967, the distribution of relative sources of income was (Bixby, 1970):

Sources of income	Percent
Earnings	30
OASDHI	26
Other public pensions	6
Veterans benefits	3
Private pensions	5
Income from assets	25
Public assistance	3
Other	2
	100

3. Distribution of Income

Two aspects of income distribution of the elderly are of interest, one relating to the relative position they hold vis-a-vis the nonaged, and the other relating to the relative positions among the various subgroups of the aged. They will be discussed in turn.

3.1. Aged vs. Nonaged.

Table 8 shows the trend in median current money income of the aged families and unrelated individuals as compared with that of their nonaged counterparts. For the period 1960-1969, the median income of aged families averaged under 50 percent that of nonaged families. The ratio was 50.6 percent in 1962 (having risen slightly from the previous two years), then steadily fell to 46.2 percent in 1967, increased to 49.9 percent in 1968, and then declined to 47.6 percent in 1969. Over the same 10-year span, the median income of the aged families rose by 65.8 percent and for nonaged families by 70.8 percent.

These statistics lead to a number of interesting observations. First, despite minor fluctuations from year to year, there seems to be a relatively high degree of stability of the comparative income position of the aged families in relation to that of the nonaged families. Second, the relative income position of the aged vis-a-vis the nonaged families has worsened since 1962, declining from 50.6 percent to 47.6 percent in 1969, with a brief interruption in 1968 when the ratio was 49.9 percent.[4] Third, income levels are significant because they provide a measure of the ability to obtain goods and services. Thus, the slower rates of annual increase in the money income of aged families and the general decline in their incomes proportionately to that of the nonaged should be considered along with the increases in various sources of nonmoney income, notably Medicare and Medicaid, to be discussed in Section III, D. Other Forms of Income Support-I.

As far as unrelated individuals are concerned, the incomes of the aged averaged about 42-43 percent of those of the nonaged. The highest ratio, 47.2 percent, was recorded in 1962. It declined to 40.5 percent in 1967 and then rose to 43 percent in 1969.

[4]Although these estimated ratios are derived from a national probability sample of households, they are subject to both sampling variability and errors in response and nonreporting. Therefore, year-to-year changes, especially minor ones such as those less than 5 percent, should be interpreted with recognition of problems relating to sampling and rates and quality of responses.

3.2 Among the Aged Subgroups.

Considerable variations exist among the various subgroups of the aged, according to race, sex, and family composition, as demonstrated in Table 9 on median incomes of families and unrelated individuals in 1969.

These median income figures are not surprising in light of later discussions on poverty and common observation. However, several points are still noteworthy. First, median incomes of Negroes in all categories are lower than their white counterparts. The higher the income level, the greater the discrepancies between whites and the Negroes. For example, families headed by a white male with a wife working for pay in 1969 had a median income of $7,802—the highest of all median incomes—while their Negro counterparts had a median income of only $4,596. Second, median incomes of female-headed families had higher median incomes than male-headed families: $4,986 vs. $4,779 (all races) and $5,699 vs. $4,884 (white). Only in the case of Negroes did families with female heads have a lower median income, $2,511, than male-headed families of the same race, $3,222. Third, single Negro females had the lowest median income ($1,263).

D. OTHER FORMS OF INCOME SUPPORT-I

The sources and levels of income described in the section immediately preceding did not include certain other forms of income support. For instance, Medicare, Medicaid, and other public programs paid $9.7 billion for the aged, in the fiscal year 1969, which represented 70 percent of the total medical cost of $13.5 billion. Three years earlier, before Medicare and Medicaid had been created, $2.4 billion of the total health care expenditures of the aged was paid out of public funds, representing only 30 percent of the total cost of $7.8 billion in fiscal year 1966 (Cooper, 1970).

The Federal personal income tax law provides preferential treatment for the aged in various ways. For the year 1966, this favorable treatment was estimated by the U.S. Treasury at $2.3 billion, and this amount went to 60 percent of the aged (11 million out of 18 million persons 65 years old and over). However, it was rather unevenly distributed among persons in different income brackets: one-fourth of the tax reduction went to persons having incomes of $3,000 or less; another fourth to persons with incomes between $3,000 and $5,000; and the remainder, about one-half, to persons with incomes above $5,000. About seven million aged persons, 40 percent of the total, received no reductions in taxes because their incomes were too low to be taxable. (McCauley, 1967). For 1969, the revenue effect of special tax benefits for persons 65 and over was estimated by the U.S. Treasury at $2.7 billion (See Table 10.).

In 1969, tax-free income levels for individuals age 65 and over under the Federal personal income tax structure were $1,600 on single returns, $2,300 on joint returns with one taxpayer aged, and $3,000 when both taxpayers were aged. Projecting to 1973, tax-free income levels on single returns would be $2,500; on joint returns, $3,250 with one taxpayer aged; and $4,000 with both taxpayers aged (See Table 10.).

Similar favorable tax treatment for the aged is also available in many State income tax laws. Estimates of tax reductions from this source are not available, however.

A number of States have still another form of tax benefit—property tax relief. While a large proportion of the aged own their homes but have generally low current incomes, rising property taxes in the last decade or so have placed an extremely heavy burden on this age group. In recognition of this problem, property tax concessions of one kind or another (exemption, credit, deferment) have been offered to aged homeowners since the late 1950's. In 1965, special tax considerations were in effect in seven States (Indiana, Maryland, Massachusetts, Michigan, New Jersey, Oregon, and Wisconsin); currently, there are twenty

States in which property tax concessions are offered.[5] Elderly renters now receive some relief in three States: Wisconsin, Minnesota, and Vermont. A mail survey was sent out by the author to officials in all of these States concerning estimated property tax reductions for the elderly homeowner. Returns from 16 States report that for 1968-70 the annual total tax reductions amounted to about $130 million (Chen, 1965; Greenfield, 1966; Schulz, 1970a).

In addition to the above forms of noncash income support, the various levels of government offer a number of special programs for the aged, including housing subsidies, transit subsidies, and the like. Estimates of benefits from these sources are not available.

E. OTHER FORMS OF INCOME SUPPORT-II

In addition to income support from medical services, tax concessions, housing and transit subsidies, and the like, there are also other forms of supplementation to current money income.

One such source of income comes from imputed net rental value of owned homes. As will be shown later (section III. G.), home equity plays a very important part in the net worth position of the elderly. It is therefore relevant to consider the contribution homeownership makes toward the economic status of the aged. The finding of one recent study is that the inclusion of imputed net rent in the income of low-income aged would shift the measured distribution of income upward considerably (Schulz, 1967). Another recent study on the same subject shows that for all the aged, their income would be increased between 4.7 to 5.7 percent if imputed net rental value was included, and for these aged with incomes under $3,000, the increases would be between 8.7 and 10.6 percent. The ranges of increment in income are the result of different methods used for imputing rental value (Bridges, 1967). These results are not surprising because in general the ratio of house equity to money income is very high among the aged.

For at least two reasons, however, caution should be used in interpreting the addition to money income from imputed rental value. First, this form of income is not subject to the discretion of the person in its allocation as money income is. Second, imputed rental value may overstate the enrichment of the economic welfare of the elderly homeowners when they are "overhoused"—houses too large to meet their shelter needs (Morgan, 1965).

While both of the above points are well taken, it remains true that the owned home provides a stream of very valuable real income that is continuously realized every day. Of course, the phenomenon of "overhousing" sheds a different light on the matter. Imputation of rental value does indeed overestimate the addition to the real income of an "overhoused" elderly homeowner. However, it may be questioned as to why they are overhoused. Is it by choice or by default? This raises the further question of how to realize the capital value of the house, especially in such cases—a problem to be explored later in this paper.

Another source of supplementation to current income comes from dissavings. The extent of dissavings may be appreciated from the most recent nationwide Survey of Consumer Expenditure of 1960-61 conducted by the U.S. Bureau of Labor Statistics (1966b). This survey evaluates savings based on net change in assets and liabilities. If the net change is positive, the survey unit had savings; if negative, dissavings. According to one study, which made use of the BLS Survey data for the United States urban population, in 1960-61 only the youngest group (under age 25) experienced dissavings while all other age groups (including age 65-74 and age 75 and over) showed savings (Goldstein, 1965).

In order to discover the relationship, if any, between income levels and dissavings, the author has utilized the same BLS Survey data used by Goldstein. Preliminary computer analysis shows that although both aged groups (age 65-74 and age 75 and over) *as a whole* had savings in 1960-61, *persons over age 65 with incomes less than $4,000 as a group experienced*

[5] These are California, Connecticut, Delaware, Georgia, Hawaii, Indiana, Maryland, Massachusetts, Michigan, Minnesota, Montana, New Hampshire, New Jersey, New York, North Dakota, Oregon, Rhode Island, Vermont, Washington, and Wisconsin.

net dissavings. Preliminary calculations also show that in 1960-61, almost 60 percent of those in the 65-74 group and more than 80 percent of those in the 75 and over group had incomes less than $4,000. Therefore, there is evidence that many low-income aged did use their savings to augment their current money incomes.

F. POVERTY AND STANDARD BUDGETS

1. Poverty

Trends in poverty may be one of the statistics suggestive of how the economic circumstances of the aged have been changing. Between 1959 and 1969, there was a significant reduction in the number of poor families and poor unrelated individuals in America. In general, the reduction of poverty among the aged has been at a slower pace than that for the population as a whole, as the accompanying tabular breakdown shows.

1.1. Poor Families.

In 1959, 30 percent of all aged families were poor and in 1969, 17.6 percent—a decline of about 41 percent, which is slightly less than the drop of more than 48 percent for all families (of all races, and all ages).

In terms of race, the proportion of white aged families in poverty decreased from 26.8 percent in 1959 to 15.6 percent in 1969, a decline of about 42 percent as compared with a 49 percent drop for all poor white families during the same period (from 15.2 percent to 7.7 percent). There was a 43 percent reduction of poverty among nonwhite aged families during the same period when the proportion of all nonwhite families in poverty showed a 47 percent decline.

In terms of headship, poor aged families with a male head experienced a reduction of between 44 and 49 percent from 1959 to 1969, whereas all poor families with a male head showed a decline of between 55 and 61 percent during this period. On the other hand, poor aged families with a female head had a much smaller rate of poverty reduction, about 25 percent between 1959 and 1969, an experience shared by all poor families headed by a female.

PERCENT REDUCTION IN INCIDENCE OF POVERTY, 1959-1969
Total Poor vs. Aged Poor

			Poverty in total population	*Poverty among aged population*
Families				
		All races	48%	41%
		White	49	42
		Nonwhite	47	43
	Male head			
		All races	56	45
		White	55	44
		Nonwhite	61	49
	Female head			
		All races	24	25
		White	27	28
		Nonwhite	26	–

PERCENT REDUCTION IN INCIDENCE OF POVERTY, 1959-1969—Continued
Total Poor vs. Aged Poor

		Poverty in total population	Poverty among aged population
Unrelated individuals			
	All races	27%	28%
	White	28	31
	Nonwhite	22	7
Males			
	All races	31	32
	White	31	36
	Nonwhite	31	–
Females			
	All races	26	28
	White	28	30
	Nonwhite	16	–

Source: Based on detailed tabulations, Tables 11 through 16.

To summarize, during 1959 and 1969, poor families with a female head, aged or otherwise, showed the least reduction in the incidence of their poverty. Poor aged families with a male head showed a substantial decline in poverty, but the reduction was about 11 percentage points less than all poor families with a male head.

1.2. Poor Unrelated Individuals.

In 1959, 66 percent of all aged single persons were poor, and in 1969, 47.3 percent—representing a drop of about 28 percent, which was about the same as the ratio of reduction among all single persons, 46.1 percent of whom were poor in 1959 and 33.6 percent of whom were poor in 1969.

In terms of race, white aged single persons in poverty experienced a drop of 31 percent, which was a greater rate of reduction than occurred among all poor white single persons. The most striking phenomenon is that poor nonwhite aged single persons showed a reduction of only 7 percent during the decade (76.6 percent in 1959 and 71.1 percent in 1969). In contrast, all poor nonwhite single persons had a reduction of 22 percent.

In terms of sex, the males, aged or nonaged, white or nonwhite, showed a rate of reduction of around 30 percent, with aged white males experiencing a slightly greater rate of reduction, 36 percent. The females, on the other hand, had a reduction rate of less than 30 percent, whether aged or otherwise, white or otherwise.

Despite the improvements summarized above, the relatively high and uneven incidence of poverty among the aged in 1969 can be clearly seen in the following statistics:

Incidence of Poverty	All races	White	Nonwhite
All aged families	17.6%	15.6%	40.6%
All aged families with a male head	16.4	15.0	36.1
All aged families with a female head	23.6	18.8	51.3
All aged unrelated individuals	47.3	45.0	71.1
All aged male unrelated individuals	39.8	36.3	62.1
All aged female unrelated individuals	49.9	47.7	76.6

It is evident that (1) the proportion of poor elderly single persons is much higher than the proportion among elderly families; (2) the proportion of nonwhite elderly, whether heading a family or as single persons, is much higher than the proportion among their white counterparts; (3) the proportion of elderly females, whether as family head or as unrelated individuals, is much higher than their male counterparts; and (4) therefore, the worst lot is visited upon the nonwhite single females.

2. Standard Budgets

As mentioned earlier, the Bureau of Labor Statistics has estimated three standard budgets for the retired couples, the "lower," "intermediate," and "higher" budgets (See Appendix B.). (The "intermediate" budget is comparable to the "moderate but adequate" budget which was the only budget estimated prior to 1967.)

Trends in the proportions of retired couples with enough current money incomes to meet the various levels of living (as suggested by these budgets) may also be indicative of how the economic circumstances of the aged have been changing. However, at least four points require emphasis when interpreting the changes that have occurred.

First, unlike the statistics on poverty for which trends during the last ten years were discussed above, the number and percent of retired couples with current money income below, within, and above the three standard budgets are available only for 1967 and 1969. There are no conceptually consistent estimates for these budget levels for prior years (Lamale, 1971a).

Second, these budgets are estimated for a specific type of retired couple: families with male head 65 or over and wife not in paid labor force. Therefore, the numbers and percent of such families with incomes below or above specified budget levels may *not* be readily generalized to represent all aged couples nor aged population as a whole.

Third, the income data which are used for distributing families among the three budget levels are the U.S. Census income distributions *for all* families of the specified types, including rural families—while the budget cost levels are for *urban* families only. Since urban family incomes are higher than those of rural families, there is an upward bias in the percentages for the low end of the income distribution, but the magnitude of the bias cannot be measured with available data.

Fourth, no *great* degree of significance should be attached to shifting percentage distributions, if any, of such families over a two-year period (1969 vs. 1967), simply because the shift may be a transitory phenomenon. Therefore, guarded optimism should accompany any observation of improvements (for example, reduction in the percentage of families below the lower budget, or increase in the percentage of families above the high budget), and no undue pessimism should be expressed in cases where the opposite situation is found.

As Tables 17a and 17b show, the proportion of the retired couples with current money incomes below the lower budget costs fell from 35 percent in 1967 to 30 percent in 1969, showing a 14 percent reduction. The proportion of these couples with current money incomes above the higher budget costs rose from 27 percent in 1967 to 30 percent in 1969, representing an increase of 11 percent. These improvements are not inconsequential. Optimism is therefore not out of place here, although it should be tempered with the warning given above.

In order to gain some perspective, the improved position among retired couples may be compared with what took place among the city workers' families. Shown in Tables 17c and 17d, there was a drop of 11 percent in the city workers' families with current money incomes below the lower budget level (from 18 percent in 1967 to 16 percent in 1969). There was a rise of 13 percent in families of this budget-type with current money incomes above the higher budget costs (from 23 percent in 1967 to 26 percent in 1969). Thus, during 1967-69, both types of families improved their ability to meet BLS estimated budget costs.

G. NET WORTH, HOMEOWNERSHIP, AND LIQUID ASSETS

An assessment of economic circumstances in terms of current income only, that is, without reference to net worth (assets less liabilities), does not present a complete picture. Statistics on net worth are not easily available. The net worth position of the aged vis-a-vis that of other age groups in 1962 can be examined from two surveys: the "Survey of Consumer Finances," conducted by the Survey Research Center, University of Michigan (1960-present) and the "Survey of Financial Characteristics of Consumers," compiled by the Federal Reserve Board of Governors (Projector and Weiss, 1966). Although striking discrepancies exist between these two estimates, the important point is that the median net worth of the age 65 and over group was substantially larger than the median net worth of families headed by persons under 45. The median net worth of the aged was surpassed by two age groups—55 to 64, and 45 to 54 (See Table 18.).

Specifically concerning the role of assets in measuring economic circumstances among the aged, considerable insight was provided by the data from the Social Security Administration's "1963 Survey of the Aged" (Epstein and Murray, 1967). If assets of the aged were converted into currently spendable income for life (resulting in exhaustion of asset holdings at life's end) according to various assumptions based on sex differentials in longevity, interest rate, and the like, additional income (potential income) would be available. Improvements over actual income in 1962 among aged units when their potential income was considered can be estimated. If asset conversion did not include home equity, the percentage improvements in median income ranged from 9 to 14 percent for married couples and unmarried persons. On the other hand, if home equity was included in the conversion, a much greater extent of improvement in median income resulted, ranging from 32 to 37 percent for married couples and unmarried persons (See Table 19.).

In interpreting the above statement, it should be borne in mind that this is merely a theoretical consideration of a more comprehensive view of the economic position of older persons. There are as yet no practical institutional mechanisms that make this conversion feasible; hence, at present, this is not a realistic approach. Of course, the aged can sell their homes and any other asset and use the proceeds to buy an annuity. They thus may realize the value of their assets. However, availability and cost of alternative housing should be considered.[6]

From the high incidence of homeownership among the aged, it may be inferred that they put a high value on homeownership. The proportion of nonfarm families headed by a person 65 years old and over who are homeowners rose from 59 percent in 1949 to 71 percent in 1969, keeping pace with the increase in homeownership of all homeowning families.

[6]See Section III.J. Special Problem—Housing, for further discussion.

Between 1960 and 1969, however, the aged showed a higher rate of increase in homeownership than that for all families, more than 9 percent as compared with about 5 percent for the latter (See Table 20.). Home equity represents a highly significant portion of the net worth of the aged; very often it is their only asset. The implications of net worth position and status of homeownership among the aged for income security cannot be ignored. Particular attention should be paid to the critical role of home equity in the economic balance sheet of older persons, because the building up of home equity very often is the major act of saving (of the individual type, as opposed to contributions to Social Security and private pensions) that people are obligated to perform during much of their lifetime. But, this form of savings is, under existing financial practices, locked in the house until the latter is sold.

In the context of discussing poverty in the preceding subsection, it would be interesting to see how the consideration of potential income would change the poverty status among the aged. The incidence of aged poverty would be reduced if potential income were added to current income. For 1962, $1,800 and $1,500 approximated very closely the poverty "threshold" incomes suggested by the Social Security Administration for married couples and unmarried persons. According to actual income in 1962, 22 percent of married couples were poor; the rate declined to 19 percent when potential income *excluding* home equity was the measure, and it dropped further to 13 percent when home equity was included in the potential income. These comparisons suggest substantial improvements in economic circumstances, referring to the reduction in the incidence of poverty when net worth is considered. Though they were not as substantial, improvements were still important for unmarried men and unmarried women as well (See Table 21.). The meaning of this exercise is that the aged as a group do have this source of potential income. If such income could be realized in terms of currently spendable income, their economic status as a group would be much improved.

While this brief discussion illustrates the importance of asset holdings or net worth positions, it should be recognized that in 1962 large numbers of older persons had either no assets or very low assets. For example, 10 percent of aged couples had no asset even when home equity was included; the percentages were 28 and 26 for aged single men and women, respectively. When home equity was excluded, moreover, 23 percent of aged couples had no assets, while 37 percent of aged single persons of either sex had none. On the other hand, when homes were included, 47 percent of aged couples had assets over $10,000 in 1962, whereas the respective percentages were 26 and 24 for aged single men and women. Even when homes were excluded, it is of interest to note that 28 percent of aged couples had assets over $10,000, while the percentages were 16 and 14 for aged single men and women, respectively (Epstein and Murray, 1967).

These distributional statistics point to the wide diversity of the economic position of the aged. The "1968 Survey of the Aged" of the Social Security Administration once again collected information on assets, but no data have been published as yet. It would prove very enlightening to compare what transpired between 1962 and 1967 from two surveys using basically the same methodology, particularly as studies in the past have shown high correlation between income and asset holdings.

Although conversion of assets into lifetime income may be only of theoretical interest at the present time, it can be worthwhile to examine the improving economic position of older persons during the decade of the 1960's with reference to liquid asset holdings. From available data, these include only checking accounts, savings accounts (with banks, credit unions, and savings and loan associations), and nonmarketable U.S. Government bonds.

According to the reports prepared by the Survey Research Center, the University of Michigan (1960-present), the median liquid assets (defined to include checking and savings accounts and nonmarketable U.S. Government bonds) held by the aged rose from $1,000 to $2,130 between 1960 and 1969, when those held by all age groups increased from $500 to $730. If only those aged with liquid assets are considered, their median liquid assets increased from $3,000 to $6,570 during the same period of time, whereas those of all age groups rose from $900 to $1,690 (See Table 22.).

From 1960 to 1969, the proportion of the aged without liquid assets declined from 30 percent to 23 percent. By contrast, the decline for all age groups was from 24 percent to 19 percent (See Table 23.). Over the same span of time the proportion of the aged with more than $10,000 in liquid assets increased from 12 percent to 22 percent, the highest proportion among all age groups (See Table 24.).

There are other types of claims, such as cash value of life insurance, capitalized value of annuities and of vested pension rights, and the like. Data on these are lacking, but conceptually they deserve mention.

H. INFLATION

The latter part of the 1960's was marked by a high degree of price inflation, which at the time of this writing, has stubbornly refused to retreat to any great degree. While inflation is a problem affecting us all, it has special implications for the aged.

1. Effect of Inflation on Consumption

Although prices for all items included in the Consumer Price Index (CPI) rose more than 33 percent between 1960 and 1970 (November), certain components in the Index rose higher. Many of these tend to affect the aged most simply because they show different patterns of expenditures. Aged persons have a tendency to spend greater proportions of their budgets for those goods and services on which prices have risen more than the price increases of other commodities.

Housing cost is one of the most important items of expenditure for the aged. In the intermediate standard budget for a retired couple in Spring 1969 (Appendix B.), the following percentages are allocated to the various expenditure categories: 36.4 (housing), 28.7 (food), 10.5 (transportation), 10.0 (clothing and personal care), 8.5 (medical care), and 5.9 (other family consumption).

While the housing price index (39.3 percent) rose more than the CPI as a whole (37.8 percent) as of November 1970 over 1957-59, homeownership costs increased proportionately much more (59.3 percent). Maintenance and repairs went up 56 percent and property insurance rates 55.7 percent. Since 1963 alone, property taxes climbed by 43.2 percent (See Table 25.).

Whereas transportation cost as a whole (34.4 percent) went up less than the CPI, cost of public transportation, which is used by older persons (in general) more frequently than by persons of other ages, rose 75 percent since 1957-59 (See Table 25.).

Price inflation hits hard on people either with fixed or low income or without protection by being in a net monetary debtor position. The elderly are more likely to be in either or both of these financial situations, as discussions further on will show. The following points show the effect of inflation on older people in terms of their consumption outlays.

First, certain components of the CPI went up less than the CPI: apparel and upkeep, 35.7 percent; food, 32.4 percent; rent, 25.7 percent; fuel and utilities, 20.7 percent; and least of all, drugs and prescriptions, only 1.8 percent. However, those items that went up in prices at faster rates comprise about one-half of the standard budget for the retired couple.

Second, with regard to homeownership costs, 60 percent of them reflect home purchase and mortgage interest rates (Joiner, 1970). While no selected index is available for home purchases, a separate index on mortgage interest rates is available. Mortgage interest rates rose by 49.2 percent in November 1970 over 1957-59. These two items of homeownership costs would not have affected those who did not purchase a new home or refinance their homes. Therefore, caution should be taken when interpreting the homeownership price index as a whole. Moreover, rental index rose at a much slower rate than the CPI. Nonetheless, housing cost increases have affected the financial position of elderly homeowners because property insurance rates and costs for maintenance and repairs went up in both cases by about 56 percent. In addition, property taxes impose an obvious and continuing burden on the homeowner, and as stated earlier, these taxes went up by more than 43 percent in the seven years from December 1963 to November 1970. In this connection, it should be pointed out that property tax concessions to the aged homeowners have become prevalent since the early 1960's. However, these tax reductions are now available in only 20 States and on a rather limited basis.

Third, as regards medical care costs, dramatic increases in several categories of health expenditures were cited earlier. These expenditures would have been a much greater burden on the elderly were it not for Medicare and Medicaid programs which came into being in the fiscal year 1966. Medical care costs will be discussed in Section III, I.

Fourth, with reference to the costs of public transportation which went up by 75 percent (a higher rate of increase than the medical care component as a whole), mention should be made of the availability of public transit subsidies that exist in a limited number of cities and localities.

2. Effect of Inflation on Income and Wealth

In terms of income, price inflation adversely affects all—both young and old—whose money incomes do not keep pace with the rate at which prices advance. Consequently, persons with relatively fixed incomes over time will have their purchasing power reduced in inverse relation to the CPI. Among the aged, many persons experience relatively stable money income over time—more than any other age group. From 1964 to 1965, for example, 57 percent of the groups aged 65 and over reported unchanged income as compared with 28 percent of all families. Seventy-four percent of the aged expected their 1966 income to be the same as their 1965 income, whereas only 47 percent of all families had this expectation (See Table 26.).

Among the aged, 75 year olds and over experienced an even greater extent of income stability than the 65-74 age group. While 65 percent of the former group had unchanged income in 1968 from 1967, 54 percent of the latter group reported unchanged income. The same pattern holds for the expectation of income: 83 percent of the group 75 and over expected no change in income from 1968 to 1969, while 68 percent of the 65-74 age group held the same prospect (See Table 26.).

The above illustrations are corroborated by the Survey of Consumer Expenditures, 1960-61. Sixty-seven percent of the aged, as opposed to 37 percent of the nonaged, reported about the same income in two successive years (See Table 27.). Moreover, 54 percent of the aged had stable incomes for three consecutive years, doubling the 28 percent reported by all survey units (See Table 28). Once again, more of the 75 year olds and older reported stable income.

The effect of price inflation cannot be fully appreciated unless the asset and liability position of a person or family is also taken into account. One gains from price inflation if one owns real assets and the market prices change with the price level (e.g., a house, a piece of land, and other claims to a physical entity), and if one owes money whose market values do not vary with price level changes (e.g., accounts payable, mortgages, bonds, and other debt items). Both conditions must exist in order to benefit from inflation. In effect, one is using other people's money to purchase real estate. With inflation, as property prices (in general) rise, as an owner of the real estate, one's holdings in real terms go up and, at the same time, as a debtor, one's obligations in real terms go down. On the other hand, one loses from price inflation if one holds monetary assets whose market values are independent of price-level changes (e.g. cash, checking and savings accounts, bonds, promissory notes, and other claims to fixed amounts of money). In the latter case, one is hurt by inflation because the purchasing power of a given amount of money declines when such claims are repaid. Of course, in order to determine the net effect of price inflation on a person in terms of assets and liabilities, it is that person's net position which counts insofar as net worth position is concerned. That is, one benefits from inflation if *on net* one is a monetary debtor, and loses from inflation if *on net* one is a monetary creditor. One neither gains nor loses during an inflationary period if one is neither a borrower nor a lender, a Shakespearean admonition to which many an aged person seems to pay heed.

Many older persons owe very little money. In 1962, the average amount of personal debt was $106, according to *The 1963 Social Security Survey of the Aged* (Epstein and Murray, 1967). In discussing inflation, it should be noted that the 17 percent in 1960 and 16 percent in 1969 of aged homeowners with mortgage debt was far below that of any other homeowning families; the average percentage for all families owning homes was 60 and 56 percent, respectively, at the beginning and the end of the decade (Survey Research Center, 1968 and 1969).

With reference to aged homeowners with mortgages, their average debt again was the lowest among all families with mortgage debts, $3,790 in 1959 (when the average for all such families was $6,810) and $3,700 in 1969 (when the average for all families was $9,120).

Reference was also made earlier to liquid asset holdings (Table 22) by the aged. These are claims to fixed monetary obligations which depreciate in purchasing power during price inflation. In 1962, for all reporting aged units, nearly one-quarter of their average net worth was in the form of liquid assets whose value in purchasing power declines as inflation occurs (Epstein and Murray, 1967).

In 1962, about one-third of the aged units' net worth was accounted for by equity in a nonfarm home (Epstein and Murray, 1967). Home equity is a real asset, the value of which tends to rise with price inflation. However, to benefit from its higher value, the house must be sold. It seems in general that older people are psychologically attached to their homes and therefore resist selling. Even if they choose to sell, the cost involved in the sale and the concurrent search for new living quarters would be considerable in financial and psychological terms. Moreover, comparable housing accommodations may be rather difficult to find. If the choice amounts to moving to a comparable rental place after sale of the house, subsequent monthly housing expenditures very probably will be larger than those which are presently required (only property taxes and maintenance costs if the house is mortgage-free). It is a major irony that such a large portion of older people's real assets is in a form so difficult to use to their advantage. For many, their home represents the savings of a lifetime and should serve as protection against inflation, but there is no way to realize these benefits unless the home is sold outright and unless alternate less expensive and satisfactory housing accommodations can be found. This circumstance certainly deserves searching study, especially when so many of the older homeowners are faced with problems of meeting the mounting property taxes and upkeep costs of their homes.

As indicated earlier, it is the net creditor or net debtor status of a person that determines the effect of inflation insofar as net worth position is concerned. There is as yet no study on this question with reference to the aged. The author recently made a preliminary analysis of the 1962 data contained in the "Survey of Financial Characteristics of Consumers," a study conducted by the U.S. Federal Reserve Board of Governors (1963).

Detailed information on assets and liabilities for households headed by a person aged 65 or over was cataloged into real assets, monetary assets, and debts (all debts are monetary in nature in a nonbarter economy). The net monetary creditor or net monetary debtor status (the former being a loser and the latter a gainer from price inflation) of all these households was determined. Very interesting, but not too surprising, is the finding that almost 70 percent of older households were net monetary creditors in 1962 and therefore would be adversely affected by price inflation during the latter half of the 1960's if their financial portfolios remained unchanged or substantially the same as in 1962.[7] Another significant finding is that approximately 14 percent of aged households were neither net debtors nor net creditors and

[7] In contrast, households in 1962 headed by non-aged persons had less than one-half as many net monetary creditors, less than one-half as many who were neither net debtors nor net creditors, and almost four times as many net monetary debtors.

therefore would have been unaffected by inflation in the last few years if they continued to keep a similar financial structure. Also noteworthy is that approximately 16 percent of aged households would have benefited from the recent and current inflation if their net monetary debtor position was not changed or was substantially the same as in 1962.

I. SPECIAL PROBLEM—MEDICAL CARE

Financing and delivery of health care in this country has become a problem of staggering proportion. While the entire population is affected, the aging and the aged are more severely hurt because of their higher risks of illness and disability and because of the special services and facilities they require. As a consequence, expenses for medical care are a major factor in the budget of this age group. Although these costs, aggravated by inflation, have risen substantially during the last few years, Medicare and Medicaid have helped to reduce this tremendous increase.

In FY 1966, preceding Medicare and Medicaid, about 70 percent of the medical bills of the elderly were paid privately (i.e., by themselves or on their behalf). In FY 1969, the proportions were exactly reversed, with 30 percent of the health cost paid privately. In 1969, the average elderly person spent $692 on health care, of which $499 was paid under public programs and $193 privately. Of the $193, the largest single expense was for drugs and drug sundries (36.4 percent), the next largest for hospital care (17 percent), the third largest for nursing home care (13.9 percent), and the remaining 11 percent for doctor bills (Cooper, 1970).

There is no doubt that Medicare and Medicaid have substantially increased the welfare of the aged, not only by reducing the financial burden of health costs but also by improving their health status. However, while Medicare is very effective in financing the costs of a serious illness requiring hospitalization, it is less helpful in coping with recurring doctor bills. Medicare also excludes the long-term nursing home costs and drug expenses for chronic illnesses. Because of these exclusions, together with deductibles and coinsurance, the elderly still are bearing a sizable cost for medical care.

Background papers for this conference on mental and physical health discuss the technical aspects of health care. Here, the question of financing medical care is dealt with. Thus, to assure an adequate level of health care for the elderly, one basic question would be: Should improvements in Medicare and Medicaid be relied upon, or should this objective be achieved through a comprehensive national health insurance program?

Medical expenditures are highly variable and unpredictable insofar as individual persons are concerned, but they are predictable on the basis of a group of individuals. Therefore, the medical cost problem basically requires an insurance solution. Medicare and Medicaid are insurance programs, but they cover a group of individuals with the highest risks—the elderly. In order to spread the risks of health problems with their attendant costs, health insurance that covers persons of all ages would achieve the maximum effectiveness for the costs incurred.

Ill health can create poverty, and poverty can produce ill health. This vicious circle, among other considerations, has led to a widely acknowledged view that access to adequate health care for all in the United States should be regarded as a right. It has been recommended by many that the Nation should commit itself to a universal financing system for health care with public and private participation, generally referred to as national health insurance.

A large number of proposals for this purpose differ in the proposed scope of coverage and in the suggested method of financing. Under the most comprehensive health insurance proposals, virtually every kind of medical service would be covered, and under the least comprehensive, only medical expenses for catastrophic illnesses. Generally speaking, these important features are common to most if not all of the proposals: (1) Medicare and Medicaid would be absorbed or incorporated into the new proposals covering persons of all ages; (2) the poor and the near-poor (and under one plan, the unemployed) would be exempt from contributing toward financing, whereas other persons would be required to pay either on a flat contribution basis or on a graduated schedule in terms of income; (3) the Federal tax system would be used as the financing vehicle, either in the from of payroll taxes and general revenues or in the form of income tax credits (Waldman, 1969).

Before discussing financing matters, it appears extremely important to consider disabled persons and their dependents in relation to the Medicare program. If the contributory Social Security system is based on the proposition that the economic security of a worker's family will be protected when contingencies of retirement, death, or disability occur, it seems illogical, that under Medicare, medical costs of the disabled are not covered when those of the aged are. This problem of disability was discussed in July 1969 in the Hearings on Health Aspects conducted by the Senate's Special Committee on Aging (U.S. Senate Special Committee on Aging, 1969c). Attention has also been called to the income maintenance implications of disability (Gordon, 1970).

With regard to financing, two central questions stand out. First, would the unit cost of health care for the elderly be less high through an insurance system which included the nonaged? Combining a high-risk group (the aged) with a less vulnerable group (the nonaged) would provide a spreading of cost over a larger number of people; thus, the cost per unit of care for the elderly would be smaller. For this reason it has been suggested that some form of comprehensive national health insurance system (NHI) be established with minimum delay.

Second, should the elderly after retirement be required to participate in the financing of health care programs? The answer to this question in part depends upon what kind of national health insurance would be adopted. If the new system is to be financed by payroll taxes and from general revenues, then the elderly would be participating only to the extent that they work and/or pay general taxes. But for today's elderly there is a time factor. If national health insurance will take several years, today's elderly do not have the time to wait for such a program. So, Medicare and Medicaid must be relied upon.

In discussing financing, only Medicare is relevant since Medicaid is a welfare program which is supported by State as well as Federal funding. Since January 1, 1971 under Part A of Medicare, the deductible on hospital bills is $60. The elderly are currently paying $5.30 per month in Part B premiums, but beginning July 1, 1971 the monthly premiums are scheduled to increase to $5.60. Considerable indications point to further costs for the elderly.

It has been proposed by private individuals as well as by task forces appointed by the Federal Government that Medicare be expanded to include prescription drugs. Proposals have also been made that Parts A and B of Medicare be merged and that the coverage of insurable items of costs be broadened.

With a given amount of budget dollars at the disposal of the government, would the aged have first priority claim on them? There is wide recognition, of course, that investment in health care should be properly regarded as investment in human capital or resources. If such an investment is strictly based on cost-benefit calculations of dollars and cents, a serious question may be raised as to whether investment in the health of the elderly would be preferred to the same investment in other age groups. However, in cases where human suffering is involved, returns from investment strictly in dollar terms would probably be a questionable criterion. At the same time, it remains true that other groups of persons, notably the poor or near-poor, the nonaged, the unemployed, and the poor children would require serious attention and therefore offer strong competition for the health dollars that would be available. In sum, a very realistic problem of choice exists.

Before a full-fledged national health insurance can be implemented, the real hope of the elderly lies in improving Medicare and Medicaid. This would require merging Parts A and B of Medicare so that financing would be on the same basis as Part A. Improving Medicaid would offer substantial immediate benefits to the aged, and the disabled as well, if the latter were also included. The extended use of general revenues in the health care of the elderly and the disabled would be a forerunner of comprehensive national health insurance the Nation needs for all its citizens.

It should be added parenthetically that in February 1971 the Nixon Administration offered a variant plan of national health insurance (a National Health Insurance Standards Act) for consideration by Congress (U.S. House Document 92-49, 1971). Of interest here is that the Act proposes eliminating the Part II premiums now paid by the elderly under Medicare. Instead, the Administration proposes charging the elderly some $5 to $15 a day for every day after the 13th day in one hospital and the first $50 for doctor services.

J. SPECIAL PROBLEM—HOUSING

Unlike medical costs which do not arise for everyone all the time, shelter is a basic need of all persons at all times. As pointed out earlier, housing cost was the largest budgetary item—estimated by the Bureau of Labor Statistics to comprise 36.4 percent of the intermediate standard budget for a retired couple in the spring 1969 (Appendix B.). Previous discussions of the effect of inflation also highlighted the tremendous increase in this component of cost of living. The problem of housing besets both the young and the old. But the elderly are especially affected since they generally have low current money incomes, and more of them have been homeowners during the period of rising homeownership costs. Obviously, elderly renters cannot escape the rising costs of housing either, because landlords frequently shift property taxes and maintenance costs to the tenants.

This tremendous problem in housing costs has prompted some 20 States today to offer property tax concessions in one form or another. The regressiveness of property taxes (in terms of their relationship to income) is explicit. Using Wisconsin as an example, tax-income ratio declines from 58 percent to 9 percent as income class rises from $1-$499 to $3,000-$3,499. Although tax burdens are less ominous in other states, they still are inordinately heavy. Minnesota's ratios range 49 percent to 5 percent as income moves upward with the same brackets as in Wisconsin. Relatively speaking, California and Oregon show a milder but similar tax burden (or a lower tax-income ratio) at the lowest income bracket, but the ratio is still exceedingly high, with property taxes absorbing about one-third of the average income in this bracket. Reported here are some highlights from a recent study of the property tax problem in these four States (Chen, 1970b).

Insofar as tax reductions are concerned, they do not amount to large sums in absolute terms. The largest amount of average tax saving among four states is $299 in California in 1968, and the smallest, $15 in Wisconsin in 1966. The average tax reductions range from $27 to $299 in California in 1968, from $23 to $117 in Minnesota in 1967, from $65 to $133 in Oregon in 1966, and from $15 to $156 in Wisconsin in 1966.

These comparatively minor sums of reduction in tax liabilities turn out to be highly significant when they are compared with the average income of low-income homeowners. For the lowest income group, the average reduction in taxes represents between 30 percent and 40 percent of the average income in California, Minnesota, and Wisconsin, whereas it still constitutes about 17 percent of the average income in Oregon.

Moreover, the percentage reduction in taxes as occasioned by these relief measures is very significant. The reduction ranged from 95 percent to 9 percent in California, from 69 percent to 13 percent in Minnesota, from 75 percent to 5 percent in Wisconsin, with Oregon's at approximately 50 percent.

The tax concession policy has been a powerful instrument in removing or reducing the regressiveness of property taxes as they relate to the *low-income* aged. In California, the after-concession tax burden takes on a progressive feature in terms of income. For the six income classes, from the lowest (less than $1,000) to the highest ($3,000-$3,350), the tax-income ratio climbs steadily from 1.6 percent to 3.3 percent, 5.3 percent, 6.8 percent, 7.8 percent, and finally to 8.9 percent. This pattern is dramatically different from the regressive before-concession distribution.

In the case of Minnesota, the after-concession tax burden distribution exhibits a mildly regressive pattern which still differs drastically from the before-concession manner of distribution. This experience is shared by Oregon, if we confine our attention at the moment only to the income range up to $2,500. Finally, as for Wisconsin, the tax relief measure there nearly transforms a highly regressive tax into a proportional one, save for the lowest two income levels.

With regard to the policy of property tax relief for the aged, there is a basic concern as to how far this method can go toward solving the income problems of the aged. This question is raised because tax forgiveness to the aged is most likely at the expense of younger homeowners and taxpayers in general. Hard pressed as many of these taxpayers already are by taxes of all kinds in addition to the cost of living, they may resent and resist tax concessions for the aged.

Since property tax relief is offered in only 20 States (only three as far as renters are concerned), this approach as it now stands is of rather limited usefulness for all the elderly in the country. In view of the limited nature of this policy measure, what additional public policy actions could be taken? Since property tax increases have been largely a result of rising costs of education, welfare, general local government services, as well as price inflation, a basic remedy may well be found in restructuring the financing of local governments and of preventing or reducing inflationary tendencies. The revenue-sharing between the Federal, State, and local Governments that is now being considered may be part of an effective solution to the problem. To the extent that property taxes would be reduced as a result of revenue-sharing, this approach has the advantage of offering relief to *all* homeowners.

The preceding discussion of homeownership presented the home as the homeowner's liability, that is, as a subtraction from his income. But homeownership may also be viewed as an asset which carries an addition to his income as well. Homeownership gives rise to a degree of security and pride in old age. Economic security stems from "rent-free" shelter when the home is mortgage-free, or from "low-rent" shelter when the home carries a small mortgage. Imputed rental services represent an addition to the income of the homeowner. During inflationary times, the value of the services of the owner-occupied home presumably rises with its price level. Moreover, homeownership is a real asset that would serve as a protection against inflation because the value of a real asset generally tends to rise with inflation.

However, under existing institutional arrangements, the house must be sold and less expensive alternative suitable living quarters must be found if the benefits from its higher value are to be realized. An additional difficulty may be the psychological attachment that many older people seem to have for their homes and that may reinforce their resistance to selling. A dilemma exists because a major portion of older persons' real assets is in a form that is difficult for them to use to their advantage under present circumstances. What could be achieved by changes in public and private policy in order to solve this dilemma? A possible answer may lie in establishing a new institutional arrangement (Chen, 1970a).

If a financial mechanism could be established which would increase the homeowner's income by voluntarily converting equity in his home into currently spendable monthly payments for life while maintaining a lifetime guarantee of occupancy, the aged homeowner may then have a new option in his choice of housing as well as source of income.

Of course, if this proposal becomes a reality and elderly homeowners join the plan they would have less of an inheritance to leave to their heirs. The question would be: How important is it for the elderly to endure the hardships of income inadequacy in order to be able to bequeath? Further research on the attitudes of homeowners and on the possible financial mechanisms (involving private and/or public organizations) whereby such a proposal could be implemented seems called for.

However, since housing burdens are extremely heavy on a large number of the elderly and therefore require urgent attention, a possible way of relieving such burdens might be to explore what assistance the Federal Government could provide through grants to the local governments for this specific purpose.

IV. THE PRESENT SITUATION

A. PUBLIC PROGRAMS

1. Social Security

Social Security, Old-Age, Survivors, Disability, and Health Insurance, (OASDHI) is a basic program providing retirement income. In 1967, more than 60 percent of aged couples, and about 75 percent of aged nonmarried persons depended upon this program as their sole source of pension benefits (Kolodrubetz, 1970). It is both an economic and a social institution that has gained wide acceptance. It is a compulsory government program that provides for partial income replacement in the event of retirement, death, or disability, for those covered wage earners who have had a fairly normal and substantial employment history (though requiring only about five years for the current retirees) and have contributed to the program's funding. In other words, the loss of income is partially restored according to the idea of providing a basic floor of protection and on the basis of a presumed need. The partial replacement of income gives some recognition to differential earning levels and lengths of covered employment (individual equity considerations); it also provides relatively larger protection against income loss for those with lower earnings and for those with larger families (social adequacy objectives). The concept of earnings-related rights lies at the core of its general acceptance. Social Security also covers several contingencies, providing protection for the family as well as the individual.

Over the years, coverage and the number of beneficiaries under OASDHI have greatly increased. In 1950, only 65 percent of the persons in paid employment were covered; in 1960, the ratio went up to 88 percent, and to 90 percent in 1969. While 0.7 percent of the total aged population received payments in 1940, 6.2 percent of aged persons were on the rolls in 1945—a dramatic increase of nine times in a five-year period. A decade later, in 1955, 39.4 percent of the aged were recipeints, representing a more than sixfold increase. In 1968, nearly 84 percent of older persons were receiving OASDHI benefits, more than doubling the ratio of 13 years before (See Table 29.). The phenomenal growth in the proportion of covered persons was not so much a function of coverage extension (not significantly increased until the 1956 Social Security amendment) as a function of "start-up" time following the inception of the program.

OASDHI affords a very significant basic income support. In FY 1970, it paid out $28.8 billion in total benefits—$18.9 billion to retired workers and their dependents, $2.8 billion to disabled workers and their dependents, $6.8 billion to survivors of decreased workers, and about $.3 billion to special age-72 beneficiaries. There was a total of 25.8 million monthly beneficiaries—16.3 million were retired workers and dependents, 2.6 million were disabled workers and dependents, 6.4 million were survivors of deceased workers, and about 567,000 were age-72 and over persons—in a special category of uninsured beneficiaries who had no opportunity to become insured (See Table 30.).

While average monthly payments have increased during the past years, inflation has reduced the purchasing power of the higher benefits. For example, workers retired in 1950—in terms of 1970 dollars—had their average monthly benefits of $78.10 in 1950 raised to $89.50 in 1954, and $90.60 in October 1970. Thus, a worker who retired in 1950 has barely held his own between 1954-70. If all retired workers with benefits in current-payment status are used as an example, the average monthly benefit was $97.90 in 1960 (measured by 1970 dollars) and it was $117.79 in October 1970, representing an improvement of about 20 percent in real terms. For a 'widowed mother with two children, in 1960, the average monthly benefit was

$237.60 (in 1970 dollars), and it was $255.80 in October 1970—an increase of about 8 percent in real terms. (See Table 31 as updated by Sanders, 1970.)

The above comparisons of average monthly benefit amounts on a year-to-year basis should recognize the fact that those amounts for more recent years include higher benefits paid to younger, higher-paid retirees as well as increases in benefit levels for those on the rolls from more distant years past. Therefore, insofar as those beneficiaries retired in the more distant past are concerned, the actual payments they receive may be overstated by these figures.

There are OASDHI recipients who receive Old Age Assistance (OAA) payments simultaneously because wage-related benefits and income from other sources (if any) combined are low enough to qualify them for public assistance. In 1950, 13.4 percent of all aged persons on Social Security also received OAA payments. This ratio has declined to an average of 7 percent in the last few years as a result of higher levels of OASDHI benefits (See Table 29.).

There are other public retirement programs. In 1967, about 1.5 million aged units received support from retirement programs for Federal (both civilian and military), State, and local government employees, and for railroad workers. Two-thirds of these units also received OASDHI benefits (Kolodrubetz, 1970). These public retirement programs (other than Social Security) may not have the growth potential of private pension plans (discussed in the next section) because presumably the number of government employees would not equal the number of workers in private industry. However, in 1967, when 1.5 million aged units received other than OASDHI public retirement pensions, only 1.8 million aged units were paid private pensions. At least as of 1967, public pensions other than Social Security deserve mention and proper recognition.

Social Security clearly is a basic program, but the present system contains certain features which have been regarded as undesirable by some though not by all students of Social Security. If there is no reform plan which aims at preserving the desirable and reducing the undesirable characteristics of the existing system, Social Security faces the dangers of (1) constantly being criticized by the conservative as well as the liberal for the weaknesses in its tax-benefit framework, (2) gradually causing everincreasing tax burdens on the workers, especially those who are young and those with low earnings, and (3) possibly developing into another public welfare measure which runs counter to the original objective and, more significantly, to the commonly held belief of a self-supporting group protection program.

Many features of the present tax-benefit structure call for change. One candidate for reform is the regressive payroll taxation. Although the well-entrenched beliefs of earned rights and self-support have made past increases in Social Security taxes acceptable to a large number of persons in the system, further raises in the rates may represent too great a burden for the low-earning individuals and families.

As a possible substitute, general revenue financing, which is progressive on the whole, possesses the advantages of relieving regressivity, injecting more effective income redistribution, and contributing to fiscal stabilization. However, there are offsetting disadvantages, such as (1) removing the foundation of self-financing and thus the feeling of earned rights, (2) losing the basis of "cost control" or the fiscal discipline on benefit increases, (3) having to compete with other users of general revenue, and (4) compelling the high income individuals and corporations to contribute a good deal more (due to progressivity alone) to a system which was predicated upon self-help. These considerations have prompted some writers to suggest that future benefit increases, which are particularly weak as related to contributions, be financed by general revenues, leaving the existing (regressive) tax system unaltered (for example, Eckstein, 1968).

Other analysts are far more impressed with the virtues of general revenue financing than its problems. Some of these persons would advocate strongly the use of general revenues, but others in this group would concede to suggestions of (1) refunding the payroll tax to workers with incomes below poverty, (2) allowing individuals to credit all or part of their payroll taxes against their personal income taxes with refunds for those whose payroll tax credit exceeds their income tax liabilities, (3) using a vanishing exemption for payroll tax purposes, and (4) possibly integrating the Social Security system with an improved system of transfer payments to the poor (Pechman, Aaron, and Taussig, 1968).

However, using general revenues as a supplement in the manner described above would reduce regressivity of the present tax structure rather insignificantly. Moreover, these refund and credit devices would make the Social Security benefits paid to low-income persons a "de facto" welfare payment. By contrast, nothing would change the complexion of Social Security more than a complete replacement of payroll taxes with general revenues. This would result in an overt system of public welfare. There is a serious question as to whether or not the American public is ready to accept either a "de facto" or an overt system of Social Security with such a strong scent of welfare.

Following is a list of frequently mentioned or discussed possibilities for strengthening the present program.

(1) One effective way of reducing the regressivity of the Social Security tax would be to raise significantly the taxable wage ceilings ($7,800 at present).

(2) A provision for relating benefit payments to the length of time of employment or to the period of contributions would provide incentive for persons to remain in the labor force longer than they might otherwise.

(3) A policy to relax (perhaps gradually on a timetable) the earnings test for benefit receipt would gradually remove the disincentive effect on work-leisure choices (Schulz, 1971). It would also eliminate the rather common and underhanded practice of older workers remaining at work for wages below the level which the present earning tests allow, to avoid losing some or all of their Social Security benefits.

(4) If women workers regardless of their marital status were to receive benefits in their own right as contributors to Social Security, depending upon the history of their attachment to the labor force, the allocation of resources would be improved as it relates to women. So long as a woman is entitled to benefits from her husband's earning record, her scale of choice between work and leisure may tip in the direction of leisure. Of course, work-leisure choice of a woman (as well as that of a man) is not very significantly affected by Social Security taxes and benefits in and of themselves. But this observation points to a capricious, "discriminatory" element against the present working wife, in cases (more frequent than not) when her own earnings are lower than those of her husband. In such a case, she would be entitled to less benefits than those she would receive as a wife. At present, she only receives whichever benefit is higher. Under the existing system, this type of treatment "discriminates" against those women who work for a few years before marriage and who resume work after the child-rearing period—a pattern quite prevalent in America. As an alternative, it has been proposed that credits toward Social Security be based on a husband-wife combined basis.

(5) A policy that would tie Social Security benefits to some type of a price index (e.g., Consumer Price Index) would preserve the purchasing power of benefit receipts.

(6) Methods, which would enable Social Security beneficiaries to share in the fruits of economic growth, could deal with the question of having benefits keep pace with inflation and productivity—a question discussed above.

2. Public Assistance and Other Public Programs

When it was first created in 1935, Old Age Assistance programs were designed to be a joint Federal-State-local program providing relief for the aged, along with other welfare programs coping with the poverty problems among all the poor. It was expected that eventually OAA would diminish in importance as the wage-related Social Security system offered more protection to the workers under its coverage.

However, the number of persons on OAA rolls continued to rise from more than 1 million in 1936 to more than 2.5 million in 1955. But since 1955, the number of OAA recipients has been declining continuously to about 2 million as of March 1970. In 1936, the average monthly payment per recipient was $18.80; it rose to $75.10 in March 1970. Thus, the average payment per person has kept up with the rise in the price level in the last 10 years. The total average payment (for the country as a whole) amounted to a little over $900 a year as of March 1970. OAA payments vary greatly among the States, ranging in March 1970 from a low of $46.65 in Mississippi to a high of $115.05 in California. (All statistics are taken from *Social Security Bulletin Annual Statistical Supplement, Social Security Bulletin (1968) and* "Current Operating Statistics," *Social Security Bulletin (1970b).* Since about one-half of OAA payments are paid to supplement the low benefits of some 7 percent of the Social Security beneficiaries, the average monthly payment under OAA is lowered for that reason.

Because existing OAA programs are operated by various State and local governmental units, they vary greatly in terms of financing bases, administrative procedures, standards of eligibility, coverage of beneficiaries, as well as level of payments as cited above. At present, about 2 million older persons receive income from OAA. Of this total, 57 percent also receive some Social Security benefits, whereas the remaining 43 percent are totally dependent on OAA (and other minor sources of support from relatives and friends, if any). Without the welfare program, the aged as a group would no doubt be poorer than they are now.

Despite its contributions to the income position of the elderly, OAA, along with other welfare programs, has met a large number of criticisms from many individuals and study groups, such as the President's Commission on Income Maintenance Programs, the Committee for Economic Development, and others, on grounds of financing, administration, and related problems. Consensus exists as to reforming the existing welfare system, disagreements exist as to how.

If the elimination of poverty by providing a "minimum adequacy" level of income is to be assured under a public program, there could be a number of policy options, such as improving the present OAA, extending the existing Social Security to cover OAA cases, instituting some form of negative income tax, or establishing a nationally administered, nationally financed Federal assistance program along the line of the Family Assistance Plan as proposed by the present Administration.

The existing OAA programs are operated by various State and local governmental units. While it is possible to improve the existing programs, a successful revamping of the system would appear very difficult because of the widely diffused governmental jurisdictions having a general problem of revenue sources and different degrees of inclination toward reform.

Another alternative would be to use the existing Social Security program to perform the function of fighting poverty. Social Security is without question a most effective income-transfer mechanism which can deliver incomes very quickly. However, this approach to solving the problem of poverty raises some fundamental questions about the nature of Social Security.

As pointed out earlier, Social Security is generally regarded as a contributory system for providing partial income replacement in the event of old age, death, or disability for those covered wage earners and their families. These wage earners have had a fairly normal and substantial employment history and have contributed to the program's financing. Social Security can prevent or reduce poverty as it moderates the decline in living standards by partial income replacement. However, the role of Social Security in fighting poverty is merely incidental to its role in partially restoring income losses. Attempting to use Social Security as a means of fighting the poverty (or providing minimum adequacy of income) among those persons who receive meager Social Security benefits because of very limited labor force participation or nonparticipation would raise basic questions concerning benefit levels and financing methods.

Unless one is prepared to impose additional taxes upon the workers and their employers, as well as on the self-employed, Social Security could not be expected to make payments to the poverty-stricken. Social Security taxes already are quite burdensome on young and low-wage earners; imposing additional taxes to make Social Security a poverty-fighter would further raise the burden to an extent that may prove difficult to bear by some if not many younger participants in Social Security. Some fear that such an extension of the role of Social Security may so undermine the contributory nature of the system as to make the program unpalatable or even unacceptable to the worker-participants.

To remove the problem of heavier tax burden, it may be suggested that general revenues be used as a funding basis. This is a possibility. However, when general revenue funds are transfused into Social Security, the wage-relatedness and the contributory feature would be blurred. Since it appears that the earnings-related rights to Social Security benefits, more than any other characteristic of the system, lie at the core of public acceptance, some observers feel that the support of the system will not be substantially reduced as a result of general revenue financing.

Still another alternative would be to institute some form of negative income tax (NIT), under which persons or families whose incomes are below a certain level would receive payments from the Federal Treasury either on a flat rate or a graduated basis (the latter depending upon the degree of the income gap between their income and the level of income negative income tax supports). The NIT approach to solving the problem of poverty in the general population (with its incidental result of providing "minimum adequacy" level of income for the aged has gathered considerable support in recent years. This approach utilizes the general revenues of the Federal Treasury, and it has several commendable attractions such as simplicity and widespread coverage. As a national program to fight poverty, however, NIT (as a generic term to describe its many variants) is not free of certain problems. One difficulty of as yet undetermined magnitude relates to the potential adverse effect on the incentive to work. A more important difficulty has to do with setting the level of minimum support under NIT. If the payments to all the poor persons and families are set at the current poverty threshold incomes, the program cost would be so large as to result in a very significant income redistribution. The redistributive process thus involved is most likely to impose on the middle-income groups a rather large burden if NIT is erected on the Federal income tax base now in existence. If the size of income redistribution is reduced so as to make it economically and politically acceptable to the majority of taxpayers, then NIT would fall short of its purpose of eradicating poverty because reduction of income redistribution requires setting NIT payments below that which would be necessary. Of course, the incentive issue is of little or no relevance with regard to the retired or the aged as a group. But payments under NIT are of great concern in assessing its effectiveness to remove poverty. This leads to the final alternative discussed in this section.

It may be argued that a nationally financed, nationally administered Federal assistance program along the line of the Family Assistance Plan (FAP) is a viable alternative. As compared with the three alternatives discussed above, an approach like that of FAP would remove the fragmentation in administration, unevenness in coverage, and the differentials in payments which are the major problems with OAA. It would not impose a role of income guarantor on Social Security for persons with little or no wage-related contribution into the system's funding; it would reduce the possible or potential disincentive effects on work efforts which NIT might bring about, because the FAP approach stipulates the requirements of work on certain individuals, and it would utilize general revenues. Since the concern here is with the aged, it is the adult categories of FAP which hold the central interest. However, FAP as an overall instrument to remove poverty has the advantage of not singling out a particular population group for special treatment.

B. PRIVATE PROGRAMS

1. Private Retirement Plans

Private retirement plans today are a very important economic and social mechanism for providing income in old age. They have shown significant growth since 1950, when pension plans first became accepted as a proper issue for collective bargaining as a result of a decision by the U.S. Supreme Court in the Inland Steel case in 1949.

Private retirement plans consist of pension plans and deferred profit-sharing plans. A private pension plan is generally defined as a plan established by an employer, union, or both, that provides cash income for life to qualified workers upon retirement. Benefits are usually financed by regular contributions from employers (noncontributory plans), and in some cases, from employees as well (contributory plans). Under deferred profit-sharing plans, on the other hand, contributions and benefits depend upon the profits of the employer and are therefore not determinable in advance.

In 1968, 28.2 million employees were covered by private pension and deferred profit-sharing plans; whereas 9.8 million were covered in 1950 and 21.2 million in 1960. The percentage of covered employees of wage and salaried workers in private industry grew from 22.5 percent in 1950 to 32.2 percent in 1960, and to 47.2 percent in 1968. As coverage has grown, so has the number of beneficiaries—450,000 in 1950, 1.8 million in 1960, and 3.8 million in 1968. Benefit payments have likewise increased over the years, rising from $370 million in 1950 to $1.8 billion in 1960 and to more than $5 billion in 1968 (See Table 32.). Because new plans were established, the rate of growth in the 1950's, either in the number of covered employees, or in the number of beneficiaries, or in the amount of benefit payments was much greater than in the 1960's.

The above comparative historical statistics convey the impression that private retirement plans have gained considerable ground in terms of their support for the aged in retirement. The most recent "1968 Survey of the Aged" (Bixby, 1970) shows the extent to which private pensions contributed to the income of the aged in 1967. In that year, 19 percent of married couples, 13 percent of nonmarried men, and 5 percent of nonmarried women received private pension payments. More than 95 percent of private pension beneficiaries also received OASDHI benefits.

The significance of private pension payments may also be appreciated by reviewing the extent to which they have raised the income levels of those who receive them. Actually, private pensioners are a group of the economically advantaged among the aged, since their 1967 median total income, as shown below, was more than $1,000 over that of those without private pension income.

Aged population (1967)	Median income		
	Married couples	Nonmarried persons	
		Men	Women
With private pension income	$4,255	$2,580	$2,330
Without private pension income	3,080	1,520	1,200

The median pension payment in 1967 was about $900 a year. Private pensions were an important source of income for those in the higher income brackets—25-30 percent of married couples in the income levels of $3,000 or more received such payments; 16-23 percent of nonmarried persons in the income levels between $2,000 and $5,000 had pension payments (Kolodrubetz, 1970).

Private retirement plans have indeed made a very significant contribution toward income maintenance in retirement. While further growth of these plans may be expected, the rate of growth in the 1960's was slower than it was in the 1950's. This slower pace suggests that the most accessible groups of workers had already been covered and that it would be difficult for a large proportion of workers (mainly in small- and medium-sized businesses) to obtain private retirement income protection (Heidbreder, Kolodrubetz, and Skolnik, 1967; Schulz, 1970b). A more recent study shows that growth of coverage under private pension plans during the 1960's was primarily attributable to the growth of employment in companies where such plans had already existed (Davis and Strasser, 1970).

The fact that private pensions were an important source of income for those in the higher income brackets, together with the earlier reference to the relatively small number of aged who received private pensions as the economically advantaged, raises several important issues. One is the gap between the large number of employees covered and the relatively small number of pensioners, which can be explained in large part by "vesting" and eligibility requirements. A related and more fundamental question relates to portability of pension rights.

Vesting refers to the right of a participant of a pension plan to receive his accrued pension benefits if he leaves the plan before he is eligible for retirement benefits. Until the mid-1950's vesting provisions were limited largely to contributory plans not under collective bargaining. The prevalence of vesting has been on the rise since the initial successful efforts of the United Automobile Workers Union (1955) and the United Steelworkers (1957) to add a provision for vesting. It was estimated that 25 percent of the plans had vesting provisions in 1952, 60 percent in 1954, 67 percent in 1962-63, 74 percent in mid-1967, and 77 percent in 1969 (Landay and Davis, 1968; Davis and Strasser, 1970). It bears emphasis that even now about one-quarter of the plans do not have vesting provisions.

Not only has there been an increase in vesting provisions but they have also been liberalized, even though vesting requirements remain rather stringent. Of those plans with vesting in 1969, only 1 percent provided vesting with less than 5 years of service; 45 percent with 5-10 years of service; 39 percent, 11-15 years; 12 percent, 16-20 years; and 3 percent required more than 20 years of service. In addition to the minimum service requirement, slightly less than half (49 percent) of the plans also had an age requirement for vesting. Of those plans with age requirements, about one-half required 40 years of age or less while the other half required more than age 40 (Davis and Strasser, 1970). Vesting provisions are further distinguished between deferred full vesting (in about 70 percent of the plans in 1967) and deferred grading vesting (in the remainder of the plans), while immediate full vesting (no waiting period) is extremely rate (Landay and Davis 1968).

The slowing down of pension plan growth has been due to the fact that the most accessible groups of workers have already been covered. The reason that workers in small- and medium-sized enterprises are not covered by similar plans can be explained by the cost of initial establishment and subsequent administration of such plans.

It seems entirely likely that if financial mechanisms were available to facilitate such establishment, the adoption of pension plans would be accelerated.

The Industrial Union Department (IUD) of the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO) has designed a National Industrial Group Pension Plan (NIGPP) for small plants, which is made available to unions to provide retirement income for their members. Currently 24 unions are using this program in varying degrees. There are at present more than 180 units covered, each unit having slightly less than 40 employees on the average. Contributions from all units total approximately $200,000 per month. Funds under these plans are received and invested by the funding underwriters; at present, only five funding underwriters are involved. Originally (May 10, 1966), the trustees of the National Industrial Group Pension Trust Fund appointed the Prudential Insurance

Company as administrative agency for the plan. In addition, the following insurance companies are also designated as funding agencies: Aetna, Bankers of Iowa, Connecticut General, Equitable, John Hancock, Mutual Benefit, Mutual of New York, State Life, Travelers, and Union Central (Young, 1966).

The basic goals for developing NIGPP were the achievement of low expenses, simplified administration, simplified bargaining mechanism for employers and unions, flexibility of benefit levels and contribution rates, flexibility in admitting new groups or changing the participation basis of groups, and maximum pooling of experience and protection of benefit expectations. In short, the goals are simplification, flexibility, and protection. This approach is desirable and should be studied, even though the experiences under this plan have not been overly encouraging in view of the relatively small number of participating units.

Pension portability refers to the transfer of pension rights from one plan to another when a worker changes employment. The question of pension portability is intimately related to the nature of pension payments. If pensions to a worker were considered as gratuities from an employer as rewards for loyal service over a long tenure, the question of an employee's rights to his pensions theoretically would not even exist either under voluntary or involuntary termination of employment. However, if pensions are viewed as part of a worker's compensation, consisting of current payment of wages, deferred payment of wages in the form of retirement pensions, and other health and welfare fringe benefits including paid vacation and the like, then the question of pension portability takes on a new dimension.

Either voluntary or involuntary departure from employment may disqualify a worker for any rights to a pension if the worker has not met the age and/or service eligibility for vesting. A worker who voluntarily quits the job may not be too concerned with forfeiting part or all of pension rights because presumably the new employment has offered better terms. However, for a worker who is involuntarily discharged from the job, forfeiture of pension rights will certainly add to the aggravation of job loss. In either case, so long as pensions are part of a compensation package, giving up of that portion of wages that is deferred raises the question of equitable treatment of workers with shorter tenure and younger ages vis-a-vis those with longer tenure and older ages. Trends toward more liberalized vesting requirements, as cited earlier, do not offer protection to a large percentage of workers who average less than ten years in a job. It is recognized that a payment for employee benefits (including pensions) is just as much a production cost as is a direct payment for wages (Moore, 1970). In that light, there is a strong case for portability of pension rights as well as for much more liberalized conditions for vesting. However, it should also be recognized that age and service eligibility requirements for vesting have been argued in terms of flexibility and choice in pension planning.

In the public sector, Social Security is the best example of complete portability because credits toward benefits under the system accumulate for the worker no matter how many times he changes jobs. In the private sector, Teachers Insurance and Annuity Association (TIAA), for example, offers the same system for university teachers and researchers to carry their pension credits from one college to another. Even if portability is considered as a desirable goal, there is the problem of implementing it. The private pension system consists of a number of more or less basic patterns, but with large numbers of variations under each pattern.

Despite the difficulties of implementing it and arguments about its merits and demerits, portability has been a key issue in the pension literature. In the last several Congresses, bills on the subject have been introduced in both the House and the Senate. Portability promises to be an active issue in the coming years, along with continued efforts in behalf of early vesting and sound funding.

2. Private Savings

As an additional source of financial means in retirement, private savings are represented by "income from assets," as shown in Table 7. Statistics on this source should be interpreted with care, according to the discussions in Section III.C.1., mainly because of incomplete data (often a problem of underreporting) and the methods used to remedy this problem.

In 1958, income from assets was estimated to be between 14 and 23 percent of the aggregate income received by the aged. As pointed out in Section III.C.2., this broad range is probably the result of lack of complete data and the inclusion of contributions from relatives and friends.

The data for 1967 relating to income from assets require special attention. Income from assets has been shown to be 15 percent of aggregate income of aged persons and their spouses (See Table 7.). This suggests a remarkable stability during the decade 1958 to 1967 in contributions made by asset-generated income toward the total income of the aged. However, the recognition of substantial underestimation of income from assets has led the Social Security Administration to assign this source a much larger proportion of the total, 25 percent as opposed to 15 percent for 1967.

Thus, over a period of five years "income from assets" rose from less than \$6 billion in 1962 to more than \$15 billion in 1967. This is an extremely dramatic increase as compared to the increase in the aggregate income over the same time period (from \$35-38 to \$60-61 billion) which is itself very substantial. Because of the growth in the number of aged units and the increase in the price level per aged unit, *real* income is a more meaningful measure. On that basis, the average income from all sources per aged unit went up by 30 percent in real terms as discussed in Section III.C.1., whereas the average income per aged unit from assets rose by 122-124 percent in real terms. While this rise could be considered a highly encouraging sign, it also raises the doubt that the estimate on income from assets for 1962 was substantially understated, as previously discussed.

Although it may be agreed that individuals should be encouraged to save for retirement because private planning allows for preferences and flexibility, there remains the all-important question of whether they are financially able to do so assuming they are willing. For a large number of people it can be rather difficult to save for their old age because of a variety of financial obligations, such as buying and replacing household durables, paying off mortgages or making rental payments, paying for various insurance premiums, medical and educational costs, in addition to contributing to the treasuries of all levels of government. This does not include daily living expenses such as food, transportation, and the like.

The advantage of private savings for retirement use should be considered along with the disadvantages of this method. There are several drawbacks that affect the stability and accessibility of savings. Savings may be used up before retirement, for medical (costs not covered by insurance) and other emergencies if not for pleasure. Another drawback concerns people with modest means who typically save in those forms of financial assets (savings accounts, savings bonds, for example) that do not appreciate in value beyond interest payments and that, in fact, might depreciate in terms of purchasing power during inflation. Still another drawback exists. For a large number of people any substantial amount of savings is in the form of home equity which is locked in the house so long as homeownership is maintained.

Another drawback to reliance on private savings may be a lack of will to save on the part of some individuals and families. But that willingness may be enhanced if individuals are better able to save. Although ability to save does not ensure action, inability to save surely guarantees inaction. If conditions become more favorable for private savings, they could guarantee more support for retirement income. For example:

(1) The tax systems currently in use at the State and local levels, which often are regressive and impose a heavy drain on the financial resources of many individuals, could be reformed.

(2) The occurrence of uneven, unpredictable, and sometimes catastrophic medical expenses that may drive persons into poverty, or at the very least make them financially insecure, could be prevented by some form of national health insurance.

(3) Public policy to prevent inflation or to reverse inflationary tendencies once they appear could be more effective so as to preserve the value of personal savings and therefore encourage more savings. As a hedge against inflation, the perennial suggestion of a Constant Purchasing Power Bond deserves more than just another mention.

(4) Savings in the form of house equity—a good protection against inflation—could be utilized when more types of shelter would be available or when savings in this form could be utilized without an outright sale of the house.

(5) Income tax provisions could be revised to offer inducements to savings for retirement. Exclusion from taxation of payments made into a retirement fund, public or private, and inclusion in taxable income of withdrawals from that fund during retirement would provide such inducements. It should be emphasized that this suggestion applies only to retirement funds but not to all savings. To the extent that this practice would reduce income tax receipts to the Treasury, such reductions could well be justified in terms of the social purpose that is served by this approach. Not only would this kind of tax treatment enhance individual incentive to prepare for retirement income, but it would also improve the ability of many persons to accumulate more funds during their working years for retirement needs.

Either as a substitute or as a supplement to pension plans, individual savings programs restricted to retirement use (with penalty stipulated for withdrawals before retirement, similar to the "Registered Retirement Saving Plan" in Canada) should be further studied. These programs could be handled through existing financial intermediaries. With a view to protection from inflation, individual restricted savings programs (handled by existing financial intermediaries) could also use the variable annuity approach by linking such savings with a mutual fund mechanism.

C. EMPLOYMENT

Employment as a source of income after age 65 has declined in its importance over the years. Nonetheless, employment still has a very important effect on the income position of older persons. For example, in March 1970, families headed by an aged person had a median income of $4,803 which was a little more than 50 percent of the median income for all families. Unrelated aged individuals had a median income of $1,855, a little more than 60 percent of the median income for all single persons. Employment greatly enhanced the income position of these categories. For aged families headed by a full-time worker, the median income was $8,935, which was slightly more than 80 percent of the median income of all families headed by a full-time worker. Aged single individuals who were full-time workers had a median income of $4,687, which was 75 percent of the median of all full-time working single persons (See Table 33.).

There are likewise differences between men and women in terms of income position as it is affected by employment. In March 1970, the median income of aged males was $2,828, about 44 percent of the median income of all males; median income of aged females was $1,397, about 65 percent of the median income of all females. Employment once again, as expected, improved the income position of the aged, both absolutely within their own age group and relatively to other age groups. The full-time working aged men had a median income of $6,581, almost 75 percent of the median income of all men working full time. So far as aged women are concerned, full-time workers median income was $4,705, more than 90 percent of the median income of all full-time working women (See Table 34.).

The above information may be supplemented by the "1968 Survey of the Aged," (Bixby, 1970) which contains revealing statistics of persons as to marital status and full-time or part-time work. The 1967 median incomes of those who did not work (married couples, nonmarried men and nonmarried women) amounted to about one-half the amount for those who did, confirming the Census Bureau data cited in the preceding paragraph. Nonmarried women had the lowest median income in 1967, $1,162. This general pattern also existed in 1962 when statistics were available for median incomes of those who usually held full-time jobs as opposed to those who usually worked part time, as well as for those who did not work at all.

Because of the way in which median income statistics for 1962 and 1967 were reported, that is, differently for those with work experience, it is difficult to assess the changing income status of this group of the aged. However, an inspection of the data suggests that the working aged improved their median income position only slightly between 1962 and 1967. In fact, they may have lost some ground in terms of purchasing power. By contrast, during the same five-year period the median income of the nonworking aged went up more than 11 percent for married couples, more than 23 percent for single men, and almost 25 percent for single women. While the nonworking couples held their own in terms of purchasing power, the nonmarried men and nonmarried women improved their real median income by more than 12-15 percent (See Table 35.). These statistics suggest that working may be an ambiguous virtue so far as improvement in income position is concerned. Of course, it should be realized that the nonworkers were able to improve their income status only because they were covered by OASDHI which has provided higher benefits. Had the working aged not been in the labor force, their financial resources would have been even lower. As a matter of fact, many of the aged find it necessary to work simply because their Social Security payments are nonexistent or too low. On the other hand, there are also some aged who forego Social Security benefits because they work for reasons other than economic or whose employment enables them to receive income in addition to Social Security.

While income from employment is of course highly desirable, employment in old age as a means of bolstering financial status is unlikely to be of major significance. Aside from the fact that earnings as a percentage of the total income received by the aged have declined during the last decade, the following review of the labor force status of the aged suggests that only relatively low expectations should be attached to employment as a purely economic matter in old age. Working for reasons other than economic would be an entirely different situation.

In 1970, aged persons numbered just under 19 million. Seventeen percent were in the labor force with 83 percent out of the labor force. One-half of 1 percent were unemployed (See Table 36.). The great bulk of the elderly who worked were employed in nonagricultural jobs. Of these, approximately 2.4 million, more than 57 percent, had a full-time job; almost 40 percent worked part time by choice; and a little more than 3 percent held part-time jobs but would have liked to work full time.

Among those more than 15.7 million remaining aged persons not in the labor force, nearly 15.4 million gave such reasons for not working as ill health, keeping house, and retirement. There were 97,000 persons who thought they could not get jobs; for convenience sake, they may be described as "Type I discouraged job-seekers." In addition, there were 282,000 persons who gave an assortment of reasons for not being in the labor force. Since no data are available as to how many of this latter group were too discouraged to seek jobs, about half of them (probably too large an estimate) may be termed "Type II discouraged job-seekers," again for the sake of convenience.

When the numbers of aged persons who are unemployed (104,000) and others on "involuntary" part-time jobs (81,000) plus the two types of discouraged jobs seekers (Type I, 97,000 and Type II, 141,000), the total number of aged persons who might be assisted by increased employment opportunities in 1970 was in the neighborhood of 423,000. This number represents more than 2 percent of the aged. While it would increase the ranks of the employed aged by more than 13.5 percent, it would also reduce the number of the unemployed aged to zero as a result (See Table 37.).

To view the employment problem of the aged in proper perspective, it may be enlightening to compare it with the status of younger persons (16 to 64 years of age). In 1970, the aged represented 13.9 percent of all persons 16 years old or over. The unemployed aged constituted only a little over 2.5 percent of the total unemployed. The number of aged "involuntary nonagricultural" part-time workers made up 3.7 percent of all workers in this category; aged "Type II discouraged job-seekers" were 9 percent of the total. In all three groups, the share of the aged in the employment problem was less than their share of the total population 16 years old or older. However, with respect to "Type I discouraged job-seekers" more than 15 percent of the total were among the aged, showing a ratio for the aged that was larger than their share of the total population 16 years old and over. Moreover, this proportion was much larger than those other three ratios just cited above.

It should be mentioned that there is a Background Paper on "Employment" (1971 White House Conference on Aging) which discusses this subject in much more detail.

D. A SUMMARY OF THE PRESENT SITUATION

During the last decade or so, the aged as a group have improved their economic status as measured by the decline in the incidence of poverty, by the rise in median money income (despite declining labor force participation and the consequent increased leisure, whether voluntary or involuntary), or by the increase in average asset holdings (real assets in the form of homeownership and financial assets).

This improved status has resulted in part from (1) larger Social Security payments, (2) the spread of private pension plans, (3) the partial absorption of medical and hospitalization costs by Medicare and Medicaid and other programs, (4) the various special income and property tax exemptions (and other subsidies), (5) more ample private savings and investment incomes (in spite of greater compulsory saving under Social Security which might have led to reduced private savings), and (6) public assistance.

This gain in economic status may be considered a noteworthy, if not remarkable, achievement, having been accomplished without any well coordinated policy regarding the Nation's aged population. According to the "Technical Guide for Community and State White House Conferences on Aging," (White House Conference on Aging, November 1970, p. 1).

> The 1971 White House Conference on Aging is projected as a serious and difficult undertaking. The principal task ... is to arrive at a carefully weighed, comprehensive system of national policies which will give direction to action on behalf of older people at national, State, and community levels.

The first recommendation of the Senate Special Committee on Aging in its recent report (1970c) is that "we maximize the opportunity provided by the 1971 White House Conference on Aging *to develop a basic national policy* and *the commitment essential to carrying out this policy* (p. 5 emphasis added.)

Although the economic position of the aged as a group in the last 10-12 years improved greatly in absolute terms (having shared in the rising income brought about by a growing economy), other age groups enhanced their economic status to a greater extent. Therefore, the economic position of the aged has worsened relative to that of the rest of the population. The price inflation since 1965 has helped to account for this deterioration.

Had the Nation had a basic national policy toward the aging during all this time, the aged might have been better situated economically vis-a-vis the nonaged. The improving economic circumstances of the elderly in the last decade relate only to them *as a whole.* As made clear in Section III, certain subgroups among the aged have fared very poorly either in terms of poverty rates, money receipts, or asset holdings. Had a basic national policy toward the aging been in existence, these subgroups of the aged no doubt would have been more favorably circumstanced economically vis-a-vis other subgroups in the same bracket.

Therefore, the keynote on the present income position of the elderly may be characterized by *urgency and hope.* The situation is urgent because unless a comprehensive national policy of income maintenance is formulated soon, the retirement income position of the aged will lack the kind and degree of adequacy and security which would help to make retirement the "golden years." The situation is hopeful because this Nation possesses not only the ingenuity but by now also the awareness of the real dimensions of the problem with which to design and implement the long overdue national policy.

> (1) *The first element of a basic national income policy would seem to be the elimination of poverty among the aged (and others), as poverty is officially defined.* This is the minimum adequacy level of income discussed in Section III. A.
>
> (2) Another important ingredient in such a comprehensive retirement income policy would appear to be the *creation and maintenance of financial mechanisms which would help provide a reasonable relationship between postretirement income and preretirement income,* and which would also help provide a reasonable relationship between income of the retired and the income of the working population in general. This is the relative adequacy level of income also discussed in Section III. A.
>
> (3) Still another component in a national income policy for the elderly would call for *providing the opportunity for considerable individual decisionmaking (to complement collective, compulsory decisionmaking) to accommodate personal preferences and initiatives.* This is the "maximum adequacy" level of income referred to in Section III. A.

Eliminating poverty rather than working toward greater equality of incomes appears as a worthy immediate goal of public policy. Discussions in Section III. F., amply document the high and uneven incidence of poverty among the aged today, despite the very significant decline in the poverty population, aged and others, since 1959. The last columns in Tables 11 through 16 show that, of all poor families, those headed by persons 65 or over and those headed by people under 25 increased their incidence of poverty from 1968 to 1969 when all other age groups reduced their poverty. Of all the male-headed families, the 65 or over group was the only one that registered an increase in poverty. Of all the female-headed families, the 65-and-over group, along with the under 25 and the 55 to 64 groups, recorded increases in poverty when the other three age groups experienced declines. Of all the unrelated individuals, the 65 or over group did show *decline* in poverty when several other age groups showed increases. All of these increases and decreases were taking place during one year, from 1968 to 1969. Although caution should be exercised in interpreting changes during one year's time because of sampling variability and response rates and response errors, these statistics do offer some basis for discouragement or pessimism, though perhaps not despair.

As noted earlier in Section III, single women and widows are among those with the lowest income position, and they deserve special attention. The three classes of aged single women have the lowest income status. In 1967, the median income of nonmarried female Social Security beneficiaries was $1,297, while that of the nonmarried female nonbeneficiaries was $1,032. In 1962, the median income of the "retired" among the nonmarried women was $1,300, and that of the "widowed" among the nonmarried women was $1,105. In 1967, these two groups had median incomes of $1,412 and $1,230, respectively (See Table 38.).

Reviewing the trend from 1962-67, among Social Security beneficiaries, the current money income of married couples went up by some 18 percent, that of the nonmarried men, more than 25 percent, and that of the nonmarried women, staying about the same level—all measured by the median. In terms of purchasing power, between 1962 and 1967, the median income of the first two groups improved by 8 to 15 percent, whereas that of the last group *declined* by about 10 percent. (Calculations based on Table 38.)

As discussed in earlier sections on income adequacy and public assistance, the most promising policy to remove poverty from the land would seem to be a nationally financed, nationally administered Federal assistance program along the line of the Family Assistance Plan, which was brought up in the 91st Congress and which is certain to be debated in the current 92d Congress.

At the present time, Social Security supplemented by other sources is the mainstay of income support for old age. Social Security has lifted a large number of aged persons out of poverty, but despite these payments, many aged are still poor. As pointed out earlier, these poverty cases should be handled by a program designed to remove poverty.

Because of higher levels of earnings in recent years and expected further improvements in earning potential, retired workers and/or their families of tomorrow are expected to receive higher benefits from Social Security, which is an all-important program. While this expectation may only be a modest one, since the maximum amount of taxable earnings, if unchanged, will cover a declining proportion of the actual wages earned (see Table 39.), taxable earning ceilings will most likely be raised as in the past. Another reason for a modest expectation is the continuing trend for workers to retire early and hence receive only reduced benefits. On the other hand, a more favorable development is the higher percentage and longer participation of women in the labor force along with higher wages and salaries they will earn.

The preliminary data for 1968 show, for example, that 31 percent of the annual earnings of all *male* workers was not creditable toward benefits for Social Security, but only 3.5 percent of the annual earnings of all *female* workers was not subject to the Social Security payroll tax (See Table 40.). This reflects the lower earnings by women as well as the relatively smaller number of women in the higher wage brackets. If the maximum taxable earning levels are raised in the future, all workers who receive considerably more than the present $7,800 will have higher benefits based on greater contributions toward the program. Even without upward adjustments in taxable earnings, an unlikely event, female workers may expect higher benefits as their earning power rises with longer work histories and anticipated higher pay scales.

A significant problem with the present Social Security system is the lack of automatic adjustment mechanisms for rising prices and rising productivity. The Social Security systems of 14 countries, for example, automatically respond to rising prices and rising wages (Horlick and Lewis, 1970). In contrast, adjustments in Social Security benefits in the United States have been largely a delayed response to price level increases. Although sporadic and irregular, raising taxable earnings levels is an attempt to adjust Social Security to rising earnings trends (Table 39.). Of course, Congress has considered proposals for automatic benefits increases geared to the Consumer Price Index and automatic adjustment of the maximum taxable earnings.

Private pension plans have become an important source of retirement in recent years as well. However, the slackening trend in the growth of coverage, as pointed out in Section IV. B.1., does not hold out a bright prospect for the future, unless basic institutional changes are made. One of the fundamental problems relates to the age and service requirements for vesting of pension rights. Many workers have not been able to collect such pensions because they have not stayed on the job long enough or are not old enough when they leave, whether voluntarily or involuntarily. Although vesting requirements have been liberalized in recent years, there still are many, many workers who do not stay in one job for 10 years or more (10 years being the common service requirement). Losing pension rights can be a very important sacrifice. Further liberalization of vesting requirements would help the situation. More basically, the question of portability of pension rights from one job to another requires urgent attention with a view to developing innovative programs.

Another problem of private pension plans has to do with the lack of survivors' and dependents' benefits. A further problem concerns adjusting private pensions upwards to keep pace with rising prices. Although some pension plans have increased the benefits to retirees, they are ad hoc decisions and are generally gratuities from the management. Moreover, this type of adjustment is by no means a widespread practice. Studies of possible ways and means to enable private pension plans to raise pensions when the general price level increases would be challenging but rewarding.

Section IV. B. 1. establishes that today's private pensioners are the economically-advantaged. If the pattern continues into the future, the distributional patterns of pension payments may bring about a greater polarization in the economic status among the aged.

V. ISSUES

In considering the problems raised in the preceding sections of this paper, it is necessary to keep in mind that cash money is not the only mechanism for meeting the needs of the elderly. Provision of certain services and facilities not only enables older people to make their money incomes go further, but may also be the only effective and efficient way that certain of their needs can be met.

Nevertheless, there is no question but that, even if services and facilities for the elderly were far more adequate than they are today, many would need much higher cash incomes than they are currently receiving.

This fact is widely recognized. Numerous proposals for action have been recommended, but before real progress can be made, a consensus is needed on several key policy issues.

Issue 1:

> **The long-range goal for older people is that they should have income in accordance with the "American standard of living." What should be regarded as an adequate income for older couples and older nonrelated individuals?**

Probably no two people could come to complete agreement about what constitutes the American standard of living. As with other age groups, the living standards of the elderly will probably always vary in accordance with variations in their own private incomes. But is there a minimum level of living which society should feel obligated to assure all older people and, if so, how high a level is it feasible for society to underwrite? Various options merit consideration.

If mere survival is to be the goal, this would mean lifting the incomes of all elderly above the poverty line. In 1969, the poverty threshold incomes were $2,200 for a couple and $1,750 for a person living alone or with nonrelatives. Thus far, society has not felt obligated to assure its elderly of even this level of living as evidenced by the fact that a fourth of the elderly lived *below* these poverty levels in 1969.

Another goal might be to assure a reasonable relationship between preretirement and postretirement incomes. However, this raises the question of what is reasonable. The question has been discussed for many years in considering the relationship between earnings covered by Social Security and the retirement benefits paid from this program. Those who have studied the problem are generally agreed that the average worker should receive benefits that are equal to 40 to 50 percent of his earnings. Such a ratio, however, does not take into consideration the total incomes of retired people. For some, those who derive much of their incomes from sources other than earnings, such benefits might be more than adequate; for others, whose earnings were low, the benefits might not even assure minimum subsistence.

If total incomes are to be considered, the standard budgets compiled by the Bureau of Labor Statistics might be taken as guides. However, even this would not resolve the issue of which level of living should be supported—the lowest level, which was $2,902 in 1969, and is adequate to maintain health only on a short time basis; the intermediate budget of $4,192 which, at 1969 prices, could allow a couple to live on indefinitely without endangering health; or the $6,616 budget which allows for some "psychological sustenance" as well as physical sustenance. Dollar amounts would obviously have to be translated into purchasing power if a floor under income were established on the basis of these budgets. Further such measures would have to be continually updated and their underlying assumption carefully examined.

Related to the issue of putting an adequate income floor under the aged is the whole question of where the line should be drawn between individual initiative and social action. Freedom of choice is a cherished value in our society. Some people prefer to consume more when they are young and less when they are old; others prefer to live at a lower standard during their working years in order to enjoy an equal or higher standard when they retire. Actions which would assure a specified level of living to all elderly must be considered in relation to what effect the social costs of such action might have in limiting the freedom of choice of people in all age groups.

Issue 2.

In our system in which society has accepted responsibility for assuring older people a basic floor of income at not less than the level of poverty, how should it be provided: Through the contributory Social Security system? Some form of payment from general revenue? Or a mix of the two?

At present, the incomes of the elderly come from government sources, private pensions, and private savings; it may be assumed that most people are agreed about the desirability of this multiple system. The real question, therefore, is how this system can be expanded and improved in order to increase its flexibility, giving people greater freedom of choice while at the same time assuring that no older person will live below the minimum standard that society deems to be acceptable.

Various policy options are open. For example, government could make a greater contribution to incomes for the elderly by improving and extending Old Age Assistance and/or Social Security programs; or by instituting some form of negative income tax; or by establishing a nationally administered, nationally financed Federal assistance program, such as the Family Assistance Plan proposed by the present Administration.

Old Age Assistance is administered and partially financed by State governments and there are wide variations in financing, administrative procedures, coverage and levels of payments. States differ greatly in their attitudes about reforming these programs and in their abilities to finance such reforms. A successful revamping would be difficult because of the many governmental jurisdictions involved.

Social Security is a contributory system and the benefits retired workers receive are related to the amounts and length of time they contributed to the fund through taxes on their earnings. Although the system provides for proportionately larger benefits to those with lowest earnings, its basic purpose is to restore income losses, not to prevent poverty among older people who had no or limited participation in the labor force. If the Social Security program were used to provide an income floor under all older people, the principle of a contributory system—which has been a major reason for its widespread acceptance—would be undermined. Moreover, the working-age population would probably rebel at paying the much higher Social Security taxes which would be required. If general revenue funds were used, in lieu of increasing Social Security taxes, the program would take on important characteristics of a welfare program.

A negative income tax would allow those whose incomes fall below a specified level to receive payments from the Federal treasury which would bring their incomes up to the specified level. General revenues would finance these payments. However, if all the people whose incomes are below the poverty level were eligible for payments, the increased tax burden, especially upon middle income groups, might be so heavy that it would be neither economically nor politically feasible.

The Family Assistance Plan would also present problems of financing. If all the elderly are to be lifted out of poverty by this method, they would have to receive higher amounts that are being considered in the Congressional discussions of this plan. However, the plan would have some advantages over other approaches: it would not have the State variations that characterize the Old Age Assistance program; and it would not affect the contributory feature of the Social Security program.

Whatever method is used to assure the elderly of an income floor would have little meaning unless it included some provision for protecting the income's purchasing power. At present, Social Security benefits are adjusted by Federal legislation. Since this is an unsystematic method, consideration might well be given to providing for automatic cost-of-living increases. Methods of financing increases that might be considered include: increasing the earnings base on which Social Security taxes are paid, or investing the Social Security trust fund in Federal "constant purchasing power bonds." The ability of the Federal Government to honor such bonds would come from the larger tax base that results from inflation and, over time, from the growth of the economy.

Constant purchasing power bonds might also be used as a device for increasing the incomes of the aged enough to permit them to raise their standards of living. When increased productivity warrants, other age groups raise their living standards and, since the past contributions which the aged made to the economy helped to make this possible, they too should benefit. Another method of relating the incomes of the aged to the economic growth would be to provide for a certain percentage of the rate of economic growth to be used for raising the incomes of the elderly.

Issue 3.

In view of the growing dependence on private pensions and individual saving for retirement income above the basic floor, should Government intervene to foster increased coverage and to insure receipt of benefits by workers and their survivors? Or, should such matters be left entirely to the private sector and the individual?

At present, private pensioners are a small group of the economically advantaged. More people will receive such pensions in the future because private pension plans have grown rapidly, but further growth, under present conditions, is unlikely. The small plants and other industries that do not have such plans say they cannot afford to establish them. If private pension plans are to become an important resource for providing adequate and secure incomes for the retired, two problems must be considered: How can coverage be further expanded? How can the plans be improved?

One way to expand coverage would be to establish a master private pension plan for use by companies that cannot afford to set up their own separate plans. The National Industrial Group Pension Plan of the AFL-CIO is an example of this method. However, its benefits are limited to union members in the plants that participate in the plan. A much broader program, perhaps under governmental administration, might be considered. Another way of expanding coverage might be to make greater use of the individual policy pension trusts which are placed with insurance companies by employers for the benefit of their employees.

Many ways of improving private pension plans merit consideration. At present, workers often lose their pension rights when they leave the company before they retire. Vesting provisions might be required so that the worker would retain his pension rights wherever he worked. Some private pension plans now have vesting provisions which permit pension credits to be transferred (after a minimal number of years of employment) from one employer to another as a worker changes jobs; or the pension plans permit the worker to retain his pension rights with the original employer. Should minimum vesting standards be made compulsory for all private pension plans?

Another weakness of present plans is that they usually pay a fixed amount which does not allow for the erosion of purchasing power which results from inflation. The College Retirement Equities Fund, for example, solves this problem by permitting college teachers to invest up to 75 percent of contributions to the retirement fund in common stocks which are purchased by the fund. When he retires, the teacher receives annuity payments (which fluctuate with the value of the fund) in addition to the fixed amount of his retirement benefits. Should all private pension plans be required to include some provision to protect the purchasing power of their benefits?

One of the reasons why so many widows are impoverished is because few private pension plans include survivors' benefits. Should survivors' benefits be made compulsory?

Another problem with some private plans is that of fiduciary responsibility. Some persons argue that workers have little or no protection from the sponsor of the pension plan who does not provide proper safeguards for the funds employees contribute to the pension fund. What role, if any, should government play in ensuring that pension funds will be well managed and adequately protected?

In addition to private pension plans, the private sector of the economy contributes to retirement incomes through the amounts individuals save for their old age. There are various ways in which more people could be encouraged to save more money for retirement.

For example, income tax exemptions could be given for the amounts people have invested in public and private retirement systems. Or tax exemptions could be given on income that was put into savings accounts that had penalties for withdrawals made prior to retirement. (The Registered Retirement Savings Plan in Canada is an example of this type of savings account.) Tax revenues lost by such exemptions could be recovered when savings were drawn out as retirement income.

While these and other measures to enable people to save more would also give them an incentive to do so, a serious deterrent to saving would remain: inflation. Some device, such as linking savings with investments, would need to be developed so that the saver would be protected against erosion of the purchasing power of his savings.

Issue 4.

Recognizing the higher illness and disability rates among the elderly, their lower average income, and the rising costs of health care: (1) should payments for health services to older people continue to be a shared responsibility of Government and the individual; (2) should coverage under the present Medicare-Medicaid system be expanded to provide full payment for all health services required by older people; or (3) should the country adopt some form of national health insurance plan which would include middle-aged and older people along with the rest of the population? An important consideration is the source of the funds used for payment for services; depending upon the policy adopted, these may include payments into an insurance fund, monies serived from income and other taxes, direct payments by recipients of services?

While medical expenditures are highly variable and unpredictable as far as the individual is concerned, they are highly predictable on the basis of a group of individuals. That is why most proposals for improvements in financing health care costs take an insurance approach.

One problem with the Medicare insurance program is that it covers only the group whose risks of illness are greatest and, inevitably, this is costly. Many people find it hard to pay the $60 deductible on hospital bills and the more than five dollars in monthly premiums on Part B of this insurance. Moreover, costly items, such as drugs and long-term care, are not covered by Medicare. Various proposals have been made to expand the program, for example, by covering disabled people under 65, and to make it more comprehensive by covering more health care items. All such changes, of course, would increase the cost.

If Medicare continued to be financed only through Social Security taxes as at present, the working-age population might find the burden of a more adequate program intolerable. If the elderly bore the added expense, the deductibles and premiums would be so high that many could not pay them. If general revenues were drawn upon, the contributory feature of the Social Security program would be lost.

Medicaid, the other major program for financing the health care of the aged is administered and partially financed by the States. Those served and the health care costs that are covered vary greatly from State to State. Usually, only the very poor are eligible. It is most unlikely that Medicaid programs could be developed in all States that would meet all of the health needs of all of the aged which Medicare does not cover.

An approach to the problem which would not be limited to the aged is some form of national health insurance. Since the health risks of other groups are lower than those of the aged, the unit cost of such an insurance program would be lower than it would be if the same services were covered for only the aged group.

Although proposals for this type of insurance vary in terms of coverage and methods of financing, most of them include these features: persons of all ages would be covered; the government would pay the premiums for those who could not otherwise afford coverage; the Federal tax system would be used as the financing vehicle, but services would be provided, as at present, through private as well as public sources.

One advantage of this type of program is that it might encourage middle-aged people to seek treatment for the chronic conditions which lead to disabling health problems in later life. Since some of the most serious health problems associated with old age begin during middle age, this would mean improved health and reduced health care costs for the aged of the future. Another advantage is that, since all would benefit, public acceptance of such a program might be easier to obtain than would support for more costly services for the aged alone.

In terms of the welfare of the aged, however, questions can be raised as to whether a national health insurance program would be an improvement over the present Medicare and Medicaid programs. Much would depend upon the services covered and the method of financing. For example, would it provide for long-term care and other facilities and services that are needed mainly by the aged? Would other age groups—since, on a strictly cost-benefit basis, maintenance of their health is more important to the productive economy—receive higher priority than the elderly in the competition for the available health dollars? Would the elderly be required to participate in financing the program? Is it feasible to develop a full scale, effective national health insurance immediately, and if not, should efforts be made to improve the Medicare and Medicaid programs (difficult as that may be) as a means of bringing more immediate benefits to the aged?

Issue 5.

Does the relatively low income status of the older population together with the increased need for financial security warrant action by the Federal and/or State Government to help them to continue to live in their own homes through partial remission of property taxes or through some other means? Or, should older home owners share equally with younger people in matters of property taxes and other financial responsibilities of home ownership?

Since 70 percent of the elderly own their own homes, property tax concessions are frequently advocated as a method of reducing their housing costs. At present, most States do not make such concessions and in the States that do, the amount of tax relief given is extremely limited. Is expansion of this approach feasible? In answering this question, consideration must be given to the reaction of younger taxpayers whose property taxes would have to be increased if more tax relief were given to more older people. Can the younger people afford to and will they be willing to support such a measure?

An alternative approach might be to restructure methods of financing government operations. Current proposals for revenue sharing by Federal, State, and local Governments are an example of such an approach. Methods might also be developed which would place less reliance on property taxes for financing the cost of education, welfare, and other government services. Measures to curb inflation also represent an approach to the property tax problem that would benefit all homeowners, not just the elderly.

Another way of helping elderly homeowners might be to devise some financial mechanism whereby the homeowner could increase his income by *voluntarily* converting equity in his home into current spendable monthly payments for life and at the same time be guaranteed lifetime occupancy of his home. This would give the elderly homeowner a new option in his choice of housing as well as a source of income. It would, however, deprive his heirs of the inheritance of his home.

In determining the desirability of such an arrangement, the attitudes of elderly homeowners need to be appraised. How important is it to them to be able to bequeath their homes to their heirs? Is it worth the hardships of living on inadequate incomes?

Since elderly renters as well as homeowners suffer from the burden of housing costs, broader measures also need to be considered. For example, should the Federal Government provide more assistance and, if so, in what ways?

Table 1.—Weighted Average Thresholds at the Provety Level* in 1969, by Size of Family and Sex of Head, by Farm-Nonfarm Residence

Number of family members	Total	Nonfarm			Farm		
		Total	Male head	Female head	Total	Male head	Female head
1 member	$1,834	$1,840	$1,923	$1,792	$1,569	$1,607	$1,512
Under 65 years . .	1,888	1,893	1,974	1,826	1,641	1,678	1,552
65 years and over .	1,749	1,757	1,773	1,751	1,498	1,508	1,487
2 members	2,364	2,383	2,394	2,320	2,012	2,017	1,931
Head under 65 years	2,441	2,458	2,473	2,373	2,093	2,100	1,984
Head 65 years and over	2,194	2,215	2,217	2,202	1,882	1,883	1,861
3 members	2,905	2,924	2,937	2,830	2,480	2,485	2,395
4 members	3,721	3,743	3,745	3,725	3,195	3,197	3,159
5 members	4,386	4,415	4,418	4,377	3,769	3,770	3,761
6 members	4,921	4,958	4,962	4,917	4,244	4,245	4,205
7 or more members.	6,034	6,101	6,116	5,952	5,182	5,185	5,129

Source: U.S. Bureau of the Census. 1970a. "Poverty in the United States, 1969," *Current Population Reports; Consumer Income* (Series P-60. No. 76) Washington, D.C.: U.S. Government Printing Office. p. 18.

*For derivation of the poverty index, see Appendix A.

Table 2.—Comparison of Annual Retired Couple's[a] Budget for a Moderate Living Standard, by Housing Status and Place of Residence, Autumn 1966

Housing status	Total urban U.S.	Metropolitan areas [b]	Nonmetropolitan areas[c]
Total[d]	$3,869	$4,006	$3,460
Renter families	3,985	4,127	3,563
Homeowner families[e]	3,806	3,941	3,404

Source: U.S. Bureau of Labor Statistics. 1966. *Retired Couple's Budget for a Moderate Living Standard.* Bulletin No. 1570-4. Washington, D.C.: U.S. Government Printing Office.

[a] For a retired husband, age 65 or over, with a wife not working regularly.
[b] Cities of at least 50,000 population and the suburban ring around them. For a detailed diagram, see the 1967 edition of the Standard Metropolitan Statistical Area prepared by the Bureau of the Budget. Washington, D.C.: U.S. Government Printing Office.
[c] Places with a population of 2,500 to 50,000.
[d] Represents the weighted average costs of renter families (35 percent) and owner families (65 percent).
[e] Owning the house outright (without mortgage payments).

Table 3.—Number of the Aged Population by Age and by Sex, 1930-1990

Sex and age	Numbers, in thousands				
	1930	1960	1970	1980	1990
Both sexes					
65+	6,644	16,560	19,799	23,492	27,567
75+	1,916	5,563	7,663	8,885	10,690
85+	--	929	1,340	1,793	2,046
65-69.......	2,776	6,258	6,920	8,299	9,446
70-74.......	1,953	4,739	5,216	6,307	7,431
75-79.......	--	3,054	3,945	4,436	5,407
80-84.......	--	1,580	2,378	2,656	3,237
85+	--	929	1,340	1,793	2,046
Males					
65+	3,333	7,503	8,393	9,634	11,113
75+	917	2,387	3,033	3,315	3,924
85+	--	362	507	618	674
65-69.......	1,422	2,931	3,140	3,671	4,119
70-74.......	994	2,185	2,219	2,647	3,070
75-79.......	--	1,359	1,593	1,745	2,093
80-84.......	--	665	933	952	1,157
85+	--	362	507	618	674
Females					
65+	3,311	9,056	11,406	13,858	16,454
75+	998	3,176	4,629	5,570	6,766
85+	--	567	833	1,175	1,372
65-69.......	1,354	3,327	3,780	4,628	5,327
70-74.......	959	2,554	2,997	3,660	4,361
75-79.......	--	1,694	2,351	2,691	3,314
80-84.......	--	915	1,445	1,704	2,080
85+	--	567	833	1,175	1,372
Females per 100 males					
65+	99.4	120.7	135.9	143.8	148.1
75+	108.8	133.1	152.6	168.0	172.4
85+	--	156.5	164.1	190.1	203.6
65-69.......	95.2	113.5	120.4	126.1	129.3
70-74.......	96.5	116.9	135.1	138.3	142.1
75-79.......	--	124.6	147.6	154.2	158.3
80-84.......	--	137.5	154.9	179.0	179.8
85+	--	156.5	164.3	190.1	203.6

Sources: For 1930-1960, Herman B. Brotman, *Useful Facts #42.* Administration on Aging Memorandum. August 9, 1968. For 1970 - 1990, U.S. Bureau of the Census. 1970b. *Projections of the Population of the United States by Age and Sex* (Interim Revisions), 1970 - 2020.

Table 4.—Median Age, "Old-Age Dependency Ratio," and the Proportion of Aged Persons in the U.S. Population, 1930-1990

Year	Median age of population			"Old age dependency ratio" 65+ / 20 - 64 (%)	65+
	Both sexes	Male	Female		Total population (%)
1930	26.5	26.7	26.2	9.7	5.4
1940	29.0	29.1	29.0	11.7	6.8
1950	30.2	29.9	30.5	14.0	8.1
1960	29.5	28.7	30.3	17.7	9.2
1970	27.7	26.5	29.0	18.4[a]	9.6[b]
1980	29.3	28.2	30.5	18.6	10.4[c]
1990	31.6	30.4	32.7	19.3	11.1[c]

Sources: For 1930 - 1960 calculations, taken and calculated from a number of sources of data published by the U.S. Bureau of the Census. For 1970 - 1990 calculations, *Projections of the Population of the United States by Age and Sex* (Interim Revisions), 1970 - 2020, P-25, No. 448, August 1970b. Washington, D.C.: The Bureau.

[a] Since this paper was completed, published population figures for 1970 are now available, making this ratio 18.9.

[b] Since this paper was completed, published population figures for 1970 are now available, making this ratio 9.9.

[c] Based on Series E projections in the Census publication cited above.

Table 5.—Average Life Expectancy, Average Worklife Expectancy, and Average Retirement Years at Age 20 for Men, 1900-60

Year	Life expectancy (in years) (1)	Worklife expectancy (in years) (2)	In retirement (in years) (3)	Retirement/ worklife expectancy (%)
1900	42.2	39.4	2.8	7.1
1940	46.8	41.1	5.7	13.9
1950	48.9	43.1	5.8	13.5
1960	49.6	42.6	7.0	16.4

Sources: For 1900, Stuart Garfinkle. 1956. "Changes in Working Life of Men, 1900 to 2000." In J. J. Spengler and O. D. Duncan (eds.), *Demographic Analyses, Selected Readings*. Glencoe, Ill.: The Free Press. p. 106. For 1940 and 1950, Seymour L. Wolfbein 1957. "Tables of Working Life. The Length of Working Life." Paper presented at the 4th International Gerontological Congress, Merano, Italy, July. For 1960, Stuart Garfinkle. 1963. "The Length of Working Life for Men, 1960," *Monthly Labor Review*, July. p. 822.

Table 6.—Median Income of Families by Age-of-Head, 1962 vs. 1967 in constant dollars (1957-59 base)

Age	1962	1967	1967/1962 (%)
14-24.	$4,057	$5,025	123.9
25-34.	5,600	6,960	124.3
35-44.	6,477	7,944	122.6
45-54.	6,679	8,320	124.6
55-64.	5,900	6,915	117.2
65+	3,040	3,377	111.1

Sources: U.S. Bureau of the Census. *Current Population Reports, Consumer Income* (Series P-60). Data for 1962 from "Income of Families and Persons in the United States: 1962," No. 41, October 21, 1963; data for 1967 from "Income in 1967 of Families in the United States," No. 59, April 18, 1969a. Washington, D.C.: U.S. Government Printing Office.

Table 7.—Percent Distribution of Aggregate Income, 1958-1967

Sources of income	1958 (I)[a]	1958 (II)[b]	1962	1967 (I)[c]	1967 (II)[d]
Earnings	38%	37%	33%	29%	30%
OASDHI	27	22	30	34	26
Other public pensions	8	9	6	7	6
Veterans benefits			4	3	3
Private pensions	6	5	3	5	5
Income from assets[e]	14	23	15	15	25
Public assistance	7	5	5	4	3
Other	([f])	([f])	4	4	2
Total	100	100	100	100	100

Sources: For 1958, Estimated from: *Background Paper on Income Maintenance,* White House Conference on Aging, 1960, p. 7 (out of print); For 1962, Lenore A. Epstein and Janet H. Murray, *The Aged Population of the United States.* 1967. Social Security Administration Research Report No. 19, Washington, D.C.: U.S. Government Printing Office; and for 1967, Lenore E. Bixby, "Income of People Aged 65 and Older: Overview from 1968 Survey." 1970. Social Security Bulletin.

[a] Based on total income of $25 billion.
[b] Based on total income of $30 billion.
[c] Based on unadjusted distribution.
[d] Based on adjusted distribution.
[e] For 1958, including contributions from friends and relatives.
[f] Less than 0.5%.

Table 8.—Trend in Median Money Income of Families and Unrelated Individuals, 1960-69[a]

Period	Families			Unrelated individuals		
	Heads 14 to 64, amount	Heads 65 plus		14 to 64, amount	65 plus	
		Amount	Percent of 14 to 64		Amount	Percent of 14 to 64
1960	$5,905	$2,897	49.1	$2,571	$1,053	41.0
1961	6,099	3,026	49.6	2,589	1,106	42.7
1962	6,336	3,204	50.6	2,644	1,248	47.2
1963	6,644	3,352	50.4	2,881	1,277	44.3
1964	6,981	3,376	48.4	3,094	1,297	41.9
1965	7,413	3,514	47.4	3,344	1,378	41.2
1966	7,922	3,645	46.0	3,443	1,443	41.9
1967	8,504	3,928	46.2	3,655	1,480	40.5
1968	9,198	4,592	49.9	4,073	1,734	42.6
1969	10,085	4,803	47.6	4,314	1,855	43.0
		PERCENT CHANGE				
1960-69 . . .	+70.8	+65.8	. . . .	+67.8	+76.2	. . . .
1962-69 . . .	+59.2	+49.9	. . . .	+63.2	+48.6	. . . .
1960-61 . . .	+3.3	+4.4	. . . .	+0.7	+5.0	. . . .
1961-62 . . .	+3.9	+5.9	. . . .	+2.1	+12.8	. . . .
1962-63 . . .	+4.9	+4.6	. . . .	+9.0	+2.3	. . . .
1963-64 . . .	+5.1	+0.7	. . . .	+7.4	+1.6	. . . .
1964-65 . . .	+6.2	+4.1	. . . .	+8.1	+6.2	. . . .
1965-66 . . .	+6.9	+3.7	. . . .	+3.0	+4.7	. . . .
1966-67 . . .	+7.3	+7.8	. . . .	+6.2	+2.6	. . . .
1967-68 . . .	+8.2	+16.9	. . . .	+11.4	+17.2	. . . .
1968-69 . . .	+9.6	+4.6	. . . .	+5.9	+7.0	. . . .

Social: Prepared by the Administration on Aging, Social and Rehabilitation Service, Department of Health, Education, and Welfare from data of the U.S. Census Bureau. Taken from: U.S. Congress, Senate, Special Committee on Aging, 1970d. *Economics of Aging: Toward a Fuller Share in Abundance* (Report No. 91-1548 [91st Cong., 2nd Sess.]) Washington, D.C.: U.S. Government Printing Office. p. 203.

[a] By age groups, 14 to 64 and 65 plus. Data are estimates derived from a survey of a national probability sample of households; they are subject to both sampling variability and errors in response and nonreporting.

Table 9.—Aged Families and Unrelated Individuals by Total Money Income in 1969, by Race, Sex, and Headship

[Families and unrelated individuals as of March 1970]

Total money income	Families							Unrelated individuals		
	Total	Male head					Female head	Total	Male	Female
		Total	Married, wife present			Other marital status				
			Total	Wife in paid labor force	Wife not in paid labor force					
All races 65 years and over										
Number . . . . thousands . .	7,078	5,963	5,644	895	4,749	319	1,115	5,622	1,426	4,196
Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under $1,000	2.6	2.4	2.4	0.8	2.7	1.8	3.9	15.2	12.3	16.2
$1,000 to $1,499	3.6	3.2	3.2	0.4	3.7	3.8	5.5	22.6	18.9	23.8
$1,500 to $1,999	6.0	5.8	5.8	2.3	6.5	5.4	7.3	17.2	15.0	18.0
$2,000 to $2,499	7.9	8.0	8.1	2.9	9.1	5.8	7.6	11.7	10.2	12.2
$2,500 to $2,999	7.3	7.5	7.6	4.0	8.3	5.2	6.6	7.4	11.8	5.9
$3,000 to $3,499	7.0	7.1	7.2	4.6	7.7	6.1	6.5	4.6	5.4	4.3
$3,500 to $3,999	7.0	7.4	7.6	4.9	8.1	3.9	4.7	4.3	5.6	3.9
$4,000 to $4,999	10.6	11.1	11.3	8.5	11.8	8.4	8.0	4.6	4.7	4.5
$5,000 to $5,999	8.3	8.8	8.8	10.9	8.4	8.6	5.7	3.3	3.4	3.2
$6,000 to $6,999	6.6	6.4	6.4	7.9	6.1	6.4	7.6	2.3	2.5	2.3
$7,000 to $7,999	6.0	5.7	5.6	7.7	5.2	8.3	7.1	1.8	2.8	1.4
$8,000 to $8,999	4.7	4.6	4.7	7.1	4.2	3.7	4.8	1.2	1.7	1.0
$9,000 to $9,999	4.0	3.8	3.6	6.7	3.0	6.8	5.1	0.8	1.5	0.6
$10,000 to $11,999	5.7	5.5	5.4	9.8	4.6	7.4	6.4	0.8	1.1	0.7
$12,000 to $14,999	4.9	4.6	4.5	8.7	3.7	5.5	6.9	0.8	1.4	0.6
$15,000 to $24,999	5.6	5.7	5.4	9.9	4.6	10.4	5.5	1.0	1.2	0.9
$25,000 to $49,999	1.8	2.0	2.0	2.2	1.9	2.6	0.9	0.4	0.6	0.3
$50,000 and over	0.3	0.4	0.4	0.5	0.4	--	--	0.1	--	0.1
Median income . . Dollars .	4,803	4,779	4,721	7,353	4,339	6,174	4,986	1,855	2,191	1,777
Mean income . . . Dollars .	6,722	6,768	6,710	9,109	6,258	7,791	6,478	2,884	3,283	2,749
White 65 years and over										
Number . . . . thousands . .	6,515	5,564	5,272	795	4,476	292	951	5,115	1,234	3,881
Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under $1,000	2.3	2.2	2.2	0.8	2.5	1.5	2.7	13.6	9.8	14.8
$1,000 to $1,499	3.1	2.9	2.9	0.3	3.3	3.6	4.1	21.9	17.6	23.2
$1,500 to $1,999	5.5	5.4	5.4	1.5	6.1	5.1	6.3	17.2	15.6	17.7
$2,000 to $2,499	7.6	7.8	7.9	2.7	8.9	5.4	6.4	12.3	10.4	12.8
$2,500 to $2,999	7.2	7.4	7.5	3.1	8.2	5.5	6.6	7.4	11.6	6.1
$3,000 to $3,499	7.0	7.0	7.0	4.1	7.6	6.2	6.8	4.9	6.0	4.5
$3,500 to $3,999	7.1	7.5	7.7	4.6	8.3	3.3	4.8	4.5	5.8	4.1
$4,000 to $4,999	10.8	11.2	11.3	8.1	11.9	8.9	8.2	4.9	5.2	4.8
$5,000 to $5,999	8.5	8.9	9.0	10.1	8.8	8.1	5.8	3.5	3.8	3.3
$6,000 to $6,999	6.8	6.6	6.6	8.4	6.2	7.0	8.0	2.5	2.9	2.4
$7,000 to $7,999	6.0	5.7	5.7	7.8	5.3	7.4	7.7	1.8	2.8	1.5
$8,000 to $8,999	4.7	4.6	4.7	7.6	4.2	3.6	4.9	1.3	1.9	1.1
$9,000 to $9,999	4.1	3.8	3.6	7.0	3.0	7.4	5.9	0.9	1.7	0.6
$10,000 to $11,999	5.9	5.6	5.6	10.5	4.7	7.4	7.3	0.8	1.1	0.7
$12,000 to $14,999	5.3	4.8	4.8	9.7	3.9	6.0	7.7	0.9	1.6	0.7
$15,000 to $24,999	5.9	5.9	5.6	10.6	4.8	10.8	5.8	1.1	1.4	1.0
$25,000 to $49,999	2.0	2.1	2.1	2.5	2.0	2.8	0.9	0.4	0.6	0.4
$50,000 and over.	0.3	0.4	0.4	0.6	0.4	--	--	0.1	--	0.1
Median income . . . Dollars .	4,952	4,884	4,827	7,802	4,438	6,352	5,699	1,922	2,336	1,838
Mean Income . . . Dollars .	6,927	6,933	6,874	9,566	6,395	7,992	6,896	3,007	3,490	2,854

Table 9. (Cont'd.)—Aged Families and Unrelated Individuals by Total Money Income in 1969, by Race, Sex, and Headship

[Families and unrelated individuals as of March 1970—Continued]

Total money income	Families							Unrelated individuals		
	Total	Male head					Female head	Total	Male	Female
		Total	Married, wife present			Other marital status				
			Total	Wife in paid labor force	Wife not in paid labor force					
Negro										
65 years and over										
Number . . . . thousands . .	507	352	326	84	242	26	155	449	153	296
Percent	100.0	100.0	100.0	100.0	100.0	(B)	100.0	100.0	100.0	100.0
Under $1,000	6.3	5.2	5.2	1.1	6.7	(B)	8.7	32.6	30.1	33.9
$1,000 to $1,499	10.1	8.4	8.5	1.5	10.9	(B)	14.1	30.8	31.1	30.6
$1,500 to $1,999	11.6	11.5	11.8	8.2	13.0	(B)	11.7	17.9	10.4	21.8
$2,000 to $2,499	12.7	11.6	11.7	5.6	13.8	(B)	15.3	5.5	6.6	4.9
$2,500 to $2,999	8.5	9.0	9.7	9.9	9.6	(B)	7.5	4.5	7.0	3.3
$3,000 to $3,499	8.3	9.7	10.1	9.6	10.3	(B)	5.0	1.5	1.8	1.4
$3,500 to $3,999	5.2	5.7	5.3	7.7	4.5	(B)	4.0	2.1	4.7	0.7
$4,000 to $4,999	8.9	9.6	10.1	10.8	9.9	(B)	7.4	1.5	1.6	1.5
$5,000 to $5,999	7.1	7.8	7.3	19.6	3.0	(B)	5.5	1.5	1.3	1.7
$6,000 to $6,999	4.7	4.5	4.9	4.8	4.9	(B)	5.1	--	--	--
$7,000 to $7,999	4.6	4.7	3.6	5.0	3.1	(B)	4.4	1.3	3.1	0.3
$8,000 to $8,999	3.6	3.3	3.2	--	4.3	(B)	4.3	0.3	0.8	--
$9,000 to $9,999	2.2	3.1	3.4	4.7	2.9	(B)	--	--	--	--
$10,000 to $11,999	2.6	3.3	3.0	5.5	2.1	(B)	1.1	0.5	1.5	--
$12,000 to $14,999	0.6	0.4	0.4	1.5	--	(B)	1.3	--	--	--
$15,000 to $24,999	2.5	1.9	1.6	4.5	0.6	(B)	3.7	--	--	--
$25,000 to $49,999	0.4	0.3	0.3	--	0.5	(B)	0.7	--	--	--
$50,000 and over	--	--	--	--	--	(B)	--	--	--	--
Median income . dollars . .	3,045	3,222	3,154	4,596	2,792	(B)	2,511	1,283	1,321	1,263
Mean income . . dollars . .	4,205	4,257	4,149	5,386	3,721	(B)	4,085	1,609	1,954	1,432

Source: U.S. Bureau of the Census. 1970c." Income in 1969 of Families and Persons in the United States," *Current Population Report, Consumer Income* (Series P-60, No. 75) Washington, D.C.: U.S. Government Printing Office, Table 17.

Table 10.—Tax-Free Income Levels for Individuals Age 65 or Over, 1969-1973[a]

Year	Single returns	Joint returns	
	Taxpayer, age 65 or over	One taxpayer, age 65 or over	Both taxpayers, age 65 or over
1969[b]	$1,600	$2,300	$3,000
1970[c]	2,350	2,975	3,600
1971[d]	2,350	3,000	3,650
1972[e]	2,400	3,100	3,800
1973[f] . . . . (and thereafter)	2,500	3,250	4,000

Source: Office of Tax Analysis, U.S. Treasury Department, 1970. (Unpublished).

[a] Income levels exclusive of Social Security benefits and other income not subject to tax.

[b] Tax-free income levels equal $600 per exemption (including the exemption for age) plus a minimum standard deduction of $200 plus $100 per exemption (including the exemption for age).

[c] Tax-free income levels equal $625 per exemption (including the exemption for age) plus a low income allowance of $1,100.

[d] Tax-free income levels equal $650 per exemption (including the exemption for age) plus a low income allowance of $1,050.

[e] Tax-free income levels equal $700 per exemption (including the exemption for age) plus a low income allowance of $1,000.

[f] Tax-free income levels equal $750 per exemption (including the exemption for age) plus a low income allowance of $1,000.

Table 11.—Changes in Number and Percent of All Families below the Poverty Level by Age and Race of Head

Age of head	1959		1964		1968		1969		Change in Percent Poor				
	No. in thous.	%	No. in thous.	%	No. in thous.	%	No. in thous.	%	1959-64	1964-68	1959-68	1959-69	1968-69
ALL RACES													
Total . .	8,320	18.5	7,160	15.0	5,047	10.0	4,950	9.7	-3.5	-5.0	-8.5	-8.8	-0.3
Under 25 .	622	26.9	591	20.1	437	13.2	528	15.0	-6.8	-6.9	-13.7	-11.9	+1.8
25-34. . . .	1,617	17.6	1,447	15.6	1,004	9.8	949	8.9	-2.0	-5.8	-7.8	-8.7	-0.9
35-44. . . .	1,697	15.5	1,473	13.2	980	8.9	870	8.0	-2.3	-4.3	-6.6	-7.5	-0.9
45-54. . . .	1,438	15.0	1,101	10.7	747	7.0	703	6.5	-4.3	-3.7	-8.0	-8.5	-0.5
55-64. . . .	1,086	15.9	992	13.2	678	8.2	658	7.9	-2.7	-5.0	-7.7	-8.0	-0.3
65+	1,860	30.0	1,556	23.1	1,201	17.0	1,243	17.6	-6.9	-6.1	-13.0	-12.4	+0.6
WHITE													
Total . .	6,185	15.2	5,258	12.2	3,616	8.0	3,550	7.7	-3.0	-4.2	-7.2	-7.5	-0.3
Under 25 .	460	22.5	435	16.6	318	10.9	373	12.2	-5.9	-5.7	-11.6	-10.3	+1.3
25-34. . . .	1,106	13.5	968	11.8	656	7.2	628	6.7	-1.7	-4.6	-6.3	-6.8	-0.5
35-44. . . .	1,213	12.3	1,012	10.1	647	6.6	591	6.1	-2.2	-3.5	-5.7	-6.2	-0.5
45-54. . . .	1,026	11.8	784	8.5	517	5.4	483	4.9	-3.3	-3.1	-6.4	-6.9	-0.5
55-64. . . .	840	13.4	771	11.3	496	6.6	465	6.2	-2.1	-4.7	-6.8	-7.2	-0.4
65+	1,540	26.8	1,288	20.8	982	15.1	1,014	15.6	-6.0	-5.7	-11.7	-11.2	+0.5
NEGRO AND OTHER RACES													
Total . .	2,135	50.4	1,902	40.0	1,431	28.2	1,395	26.7	-10.4	-11.8	-22.2	-23.7	-1.5
Under 25 .	162	61.3	156	48.5	119	31.0	155	33.0	-12.8	-17.5	-30.3	-28.3	+2.0
25-34. . . .	511	52.9	479	45.3	348	29.9	320	26.1	-7.6	-15.4	-23.0	-26.8	-3.8
35-44. . . .	484	44.6	461	39.0	333	28.7	279	24.6	-5.6	-10.3	-15.9	-20.0	-4.1
45-54. . . .	412	45.3	317	31.5	230	22.1	219	21.4	-13.8	-9.4	-23.2	-23.9	-0.7
55-64. . . .	246	44.0	221	34.3	182	23.9	193	24.2	-9.7	-10.4	-20.1	-19.8	+0.3
65+	320	70.9	268	49.6	219	39.0	228	40.6	-21.3	-10.6	-31.9	-30.3	+1.6

Sources: U.S. Bureau of the Census. *Current Population Reports, Consumer Income.* "Poverty in the United States 1959 to 1966." (Series P-60, No. 68) Dec. 31, 1969b. p. 33, 35. "24 Million Americans - Poverty in the United States 1969." (Series P-60, No. 76) Dec. 16, 1970a. p. 52. Washington, D.C.: U.S. Government Printing Office.

Table 12.—Changes in Number and Percent of All Families with Male Head below the Poverty Level by Age and Race of Head

Age of head	1959 No. in thous.	1959 %	1964 No. in thous.	1964 %	1968 No. in thous.	1968 %	1969 No. in thous.	1969 %	Change in Percent Poor 1959-64	1964-68	1959-68	1959-69	1968-69
ALL RACES													
Total . .	6,404	15.8	5,338	12.5	3,292	7.3	3,146	6.9	-3.3	-5.2	-8.5	-8.9	-0.4
Under 25 .	473	22.0	439	16.2	268	8.9	264	8.6	-5.8	-7.3	-13.1	-13.4	-0.3
25-34. . . .	1,185	13.9	1,006	11.8	516	5.5	474	4.9	-2.1	-6.3	-8.4	-9.0	-0.6
35-44. . . .	1,221	12.2	996	9.9	549	5.6	490	5.0	-2.3	-4.3	-6.6	-7.2	-0.6
45-54. . . .	1,076	12.5	810	8.7	475	5.0	454	4.7	-3.8	-3.7	-7.5	-7.8	-0.3
55-64. . . .	913	15.0	825	12.3	537	7.2	485	6.6	-2.7	-5.1	-7.8	-8.4	-0.6
65+	1,536	29.7	1,262	22.4	947	15.9	980	16.4	-7.3	-6.5	-13.8	-13.3	+0.5
WHITE													
Total . .	4,952	13.3	4,133	10.5	2,595	6.3	2,490	6.0	-2.8	-4.2	-7.0	-7.3	-0.3
Under 25 .	381	19.6	354	14.3	219	8.0	217	7.8	-5.3	-6.3	-11.6	-11.8	-0.2
25-34. . . .	351	10.9	717	9.3	395	4.6	355	4.0	-1.6	-4.7	-6.3	-6.9	-0.6
35-44. . . .	879	9.6	722	7.9	423	4.7	379	4.2	-1.7	-3.2	-4.9	-5.4	-0.5
45-54. . . .	797	10.1	596	7.1	360	4.1	339	3.8	-3.0	-3.0	-6.0	-6.3	-0.3
55-64. . . .	741	13.1	662	10.8	409	6.0	365	5.4	-2.3	-4.8	-7.1	-7.7	-0.6
65+	1,303	26.9	1,082	20.7	789	14.3	836	15.0	-6.2	-6.4	-12.6	-11.9	+0.7
NEGRO AND OTHER RACES													
Total . .	1,452	44.2	1,205	33.2	697	18.9	656	17.2	-11.0	-14.3	-25.3	-27.0	-1.7
Under 25 .	92	(*)	85	36.0	49	18.3	47	15.0	--	-17.7	--	--	-3.3
25-34. . . .	334	45.2	289	36.5	121	14.8	119	13.2	-8.7	-21.7	-30.4	-32.0	-1.6
35-44. . . .	342	38.9	274	31.6	126	15.8	111	13.8	-7.3	-15.8	-23.1	-25.1	-2.0
45-54. . . .	279	40.4	214	26.6	115	14.4	115	14.8	-13.8	-12.2	-26.0	-25.6	+0.4
55-64. . . .	172	38.1	163	31.0	128	21.2	120	19.1	-7.1	-9.8	-16.9	-19.0	-2.1
65+	233	70.7	180	44.8	158	39.0	144	36.1	-25.9	-5.8	-31.7	-34.6	-2.9

Sources: U.S. Bureau of the Census. *Current Population Reports, Consumer Income.* "Poverty in the United States, 1959-1966." (Series P-60. No. 68) Dec. 31, 1969b. p. 33, 35. "24 Million Americans - Poverty in the United States: 1969." (Series P-60, No. 76) Dec. 16, 1970a. p. 52. Washington, D.C.: U.S. Government Printing Office.

* 1968 base less than 75,000: 1959 & 1964 base less than 200,000.

Table 13.—Changes in Number and Percent of All Families with Female Head below the Poverty Level by Age and Race of Head

Age of head	1959		1964		1968		1969		Change in Percent Poor				
	No. in thous.	%	No. in thous.	%	No. in thous.	%	No. in thous.	%	1959-64	1964-68	1959-68	1959-69	1968-69
ALL RACES													
Total . .	1,916	42.6	1,882	36.4	1,755	32.3	1,804	32.3	-6.2	-4.1	-10.3	-10.3	-0.0
Under 25 .	149	(*)	152	66.6	169	52.9	263	60.2	--	-13.7	--	--	+7.3
25-34. . . .	432	68.5	441	60.5	488	52.7	475	51.6	-8.0	-7.8	-15.8	-16.9	-1.1
35-44. . . .	476	50.7	477	41.7	431	37.1	379	35.3	-9.0	-4.6	-13.6	-15.4	-1.8
45-54. . . .	362	36.3	291	29.1	272	24.8	249	22.3	-7.2	-4.3	-11.5	-14.0	-2.5
55-64. . . .	173	23.6	167	20.5	141	17.6	174	18.9	-3.1	-2.9	-6.0	-4.7	+1.3
65+	324	31.5	294	27.0	254	22.3	263	23.6	-4.5	-4.7	-9.2	-7.9	+1.3
WHITE													
Total . .	1,233	34.8	1,125	29.0	1,021	25.2	1,065	25.4	-5.8	-3.8	-9.6	-9.4	+0.2
Under 25 .	79	(*)	81	(*)	99	49.2	156	55.1	--	--	--	--	+5.9
25-34. . . .	255	63.1	251	54.0	261	45.0	273	46.4	-9.1	-9.0	-18.1	-16.7	+1.4
35-44. . . .	334	45.7	290	35.0	224	28.2	212	28.3	-10.7	-6.8	-17.5	-17.4	+0.1
45-54. . . .	229	29.4	188	23.0	157	18.5	145	16.6	-5.9	-5.0	-10.9	-12.8	-1.9
55-64. . . .	99	15.9	109	15.7	87	13.5	100	13.4	-0.2	-2.2	-2.4	-2.5	-0.1
65+	237	26.2	206	21.7	193	19.6	179	18.8	-4.5	-2.1	-6.6	-7.4	-0.8
NEGRO AND OTHER RACES													
Total . .	683	72.0	697	61.9	734	52.9	739	53.0	-10.1	-9.0	-19.1	-19.0	+0.1
Under 25 .	70	(*)	71	(*)	70	59.2	108	69.6	--	--	--	--	+10.4
25-34. . . .	177	78.3	190	71.8	227	65.8	202	60.8	-6.5	-6.0	-12.5	-17.5	-5.0
35-44. . . .	142	68.6	187	59.3	207	56.2	167	51.4	-9.3	-3.1	-12.4	-17.2	-4.8
45-54. . . .	133	60.5	103	51.0	115	47.1	104	42.4	-9.5	-3.9	-13.4	-18.1	-4.7
55-64. . . .	74	(*)	58	(*)	54	34.9	74	42.7	--	--	--	--	+7.8
65+	87	(*)	88	(*)	61	39.1	84	51.3	--	--	--	--	+12.2

Sources: U.S. Bureau of the Census. *Current Population Reports, Consumer Income.* "Poverty in the United States 1959 to 1966." (Series P-60, No. 68) Dec. 31, 1969b. p. 34, 36. "24 Million Americans - Poverty in the United States: 1969." (Series P-60, No. 76) Dec. 16, 1970a. p. 52. Washington, D.C.: U.S. Government Printing Office.

* 1968, 1969 base less than 75,000; 1959 & 1964 base less than 200,000.

Table 14.—Changes in Number and Percent of All Unrelated Individuals below Poverty Level by Age and Race of Head

Age of head	1959		1964		1968		1969		Changes in Percent Poor				
	No. in thous.	%	No. in thous.	%	No. in, thous.	%	No. in thous.	%	1959-64	1964-68	1959-68	1959-69	1968-69
ALL RACES													
Total . .	4,928	46.1	5,143	42.7	4,694	34.0	4,851	33.6	-3.4	-8.7	-12.1	-12.5	-0.4
Under 25 .	506	51.7	454	37.7	608	36.5	667	38.5	-14.0	-1.2	-15.2	-13.2	+2.0
25-34. . . .	210	20.2	196	18.9	161	11.1	198	12.9	-1.3	-7.8	-9.1	-7.3	+1.8
35-44. . . .	315	30.4	261	22.4	203	18.8	187	17.1	-8.0	-3.6	-11.6	-13.3	-1.7
45-54. . . .	557	32.0	514	33.2	379	21.5	377	21.7	+1.2	-11.7	-10.5	-10.3	+0.2
55-64. . . .	944	41.5	924	37.1	759	29.7	761	27.9	-4.4	-7.4	-11.8	-13.6	-1.8
65+	2,396	66.0	2,794	60.6	2,584	48.8	2,660	47.3	-5.4	-11.8	-17.2	-18.7	-1.5
WHITE													
Total . .	4,041	44.1	4,241	40.7	3,849	32.2	3,962	31.8	-3.4	-8.5	-11.9	-12.3	-0.4
Under 25 .	402	48.5	383	36.0	532	35.8	571	37.6	-12.5	-0.2	-12.7	-10.9	+1.8
25-34. . . .	144	17.7	146	17.8	125	10.4	147	11.5	+0.1	-7.4	-7.3	-6.2	+1.1
35-44. . . .	232	28.6	159	17.6	112	13.9	108	13.7	-11.0	-3.7	-14.7	-14.9	-0.2
45-54. . . .	339	24.4	364	29.2	245	17.2	243	17.5	+4.8	-12.0	-7.2	-6.9	-0.3
55-64. . . .	749	38.1	737	33.6	585	26.4	594	24.8	-4.5	-7.2	-11.7	-13.3	-1.6
65+	2,175	65.0	2,452	58.6	2,250	46.7	2,300	45.0	-6.4	-11.9	-18.3	-20.0	-1.7
NEGRO AND OTHER RACES													
Total . .	887	57.4	902	55.0	845	45.7	889	44.9	-2.4	-9.3	-11.7	-12.5	-0.8
Under 25 .	104	(*)	70	(*)	76	43.1	97	44.5	--	--	--	--	+1.4
25-34. . . .	66	29.5	51	23.1	36	14.4	51	19.5	-6.4	-8.7	-15.1	-10.0	+5.1
35-44. . . .	33	37.3	102	39.2	91	33.3	79	25.8	+1.9	-5.9	-4.0	-11.5	-7.5
45-54. . . .	218	61.4	150	49.5	134	40.0	135	37.8	-11.9	-9.5	-21.4	-23.6	-2.2
55-64. . . .	195	63.4	187	63.5	174	51.5	167	50.5	+0.1	-12.0	-11.9	-12.9	-1.0
65+	221	76.6	342	80.2	334	70.2	361	71.1	+3.6	-10.0	-6.4	-5.5	+0.9

Sources: U.S. Bureau of the Census. *Current Population Reports, Consumer Income.* "Poverty in the United States 1959 to 1966." (Series P-60, No. 68) Dec. 31, 1969b. p. 34, 37. "24 Million Americans - Poverty in the United States: 1969." (Series P-60, No. 76) Dec. 16, 1970a. p. 53. Washington, D.C.: U.S. Government Printing Office.

* 1968, 1969 base less than 75,000; 1959, 1964 base less than 200,000.

Table 15.—Changes in Number and Percent of All Male Unrelated Individuals below the Poverty Level by Age and Race of Head

Age of head	1959		1964		1968		1969		Changes in percent poor				
	No. in thous.	%	No. in thous.	%	No. in thous.	%	No. in thous.	%	1959-64	1964-68	1959-68	1959-69	1968-69
ALL RACES													
Total . .	1,552	36.8	1,469	32.0	1,320	25.4	1,379	25.3	-4.8	-6.6	-11.4	-11.5	-0.1
Under 25 .	147	39.5	148	29.3	254	32.1	267	32.5	-10.2	+2.8	-7.4	-7.0	+0.4
25-34. . . .	109	17.2	104	16.2	87	9.5	107	11.3	-1.0	-6.7	-7.7	-5.9	+1.8
35-44. . . .	110	19.2	117	17.1	86	13.3	80	12.1	-2.1	-3.8	-5.9	-7.1	-1.2
45-54. . . .	232	31.1	184	28.7	125	15.6	138	17.7	-2.4	-13.1	-15.5	-13.4	+2.1
55-64. . . .	327	40.1	279	33.1	193	26.6	219	27.3	-7.0	-6.5	-13.5	-12.8	+0.7
65+	627	58.5	637	49.6	575	43.5	567	39.8	-8.9	-6.1	-15.0	-18.7	-3.7
WHITE													
Total . .	1,158	33.9	1,106	29.4	1,000	23.3	1,047	23.4	-4.5	-6.1	-10.6	-10.5	+0.1
Under 25 .	99	32.4	117	27.7	224	32.2	223	31.6	-4.7	+4.5	-0.2	-0.8	-0.6
25-34. . . .	75	15.1	76	15.1	64	8.5	73	9.3	-0.0	-6.6	-6.6	-5.8	+0.8
35-44. . . .	77	16.9	63	12.0	37	7.9	49	10.4	-4.9	-4.1	-9.0	-6.5	+2.5
45-54. . . .	137	24.1	137	26.7	70	11.3	82	13.7	+2.6	-15.4	-12.8	-10.4	+2.4
55-64. . . .	234	36.3	200	29.1	134	22.3	173	25.4	-7.2	-6.8	-14.0	-10.9	+3.1
65+	536	56.8	513	46.1	471	41.1	448	36.3	-10.7	-5.0	-15.7	-20.5	-4.8
NEGRO AND OTHER RACES													
Total . .	394	49.6	363	43.4	320	34.8	332	34.3	-6.2	-8.6	-14.8	-15.3	-0.5
Under 25 .	48	(*)	30	(*)	30	31.8	45	38.0	--	--	--	--	+6.2
25-34. . . .	34	(*)	29	(*)	23	13.9	34	21.5	--	--	--	--	+7.6
35-44. . . .	33	(*)	54	(*)	49	26.5	32	16.2	--	--	--	--	-10.3
45-54. . . .	95	(*)	47	(*)	55	31.0	56	30.9	--	--	--	--	-0.1
55-64. . . .	93	(*)	79	(*)	59	46.7	46	37.3	--	--	--	--	-9.4
65+	91	(*)	124	(*)	104	59.7	119	62.1	--	--	--	--	+2.4

Sources: U.S. Bureau of the Census. *Current Population Reports, Consumer Income.* "Poverty in the United States 1959 to 1966." (Series P-60, No. 68) Dec. 31, 1969b. p. 35, 38. "24 Million Americans - Poverty in the United States: 1969." (Series P-60, No. 76) Dec. 16, 1970a. p. 53. Washington, D.C.: U.S. Government Printing Office.

* 1968, 1969 base less than 75,000; 1959, 1964 base less than 200,000.

Table 16.—Change in Number and Percent of Female Unrelated Individuals below the Poverty Level by Age and Race of Head

Age of head	1959 No. in thous.	1959 %	1964 No. in thous.	1964 %	1968 No. in thous.	1968 %	1969 No. in thous.	1969 %	Changes in percent poor 1959-64	1964-68	1959-68	1959-69	1968-69
ALL RACES													
Total . .	3,376	52.1	3,674	49.3	3,374	39.2	3,472	38.5	-2.8	-10.1	-12.9	-13.6	-0.7
Under 25 .	359	59.1	306	43.8	354	40.6	400	43.9	-15.3	-3.2	-18.5	-15.2	+3.3
25-34. . . .	101	25.0	92	23.5	74	13.8	91	15.4	-1.5	-9.7	-11.2	-9.6	+1.6
35-44. . . .	205	44.3	144	29.8	117	27.2	107	24.9	-14.5	-2.6	-17.1	-19.4	-2.3
45-54. . . .	325	32.6	330	36.3	254	26.5	239	24.9	+3.7	-9.8	-6.1	-7.7	-1.6
55-64. . . .	617	42.4	645	39.2	566	30.9	541	28.2	-3.2	-8.3	-11.5	-14.2	-2.7
65+	1,769	69.1	2,157	64.8	2,009	50.6	2,093	49.9	-4.3	-14.2	-13.5	-19.2	-0.7
WHITE													
Total . .	2,883	50.3	3,135	47.1	2,849	37.1	2,914	36.4	-3.2	-10.0	-13.2	-13.9	-0.7
Under 25 .	303	57.7	266	41.5	308	39.0	348	42.8	-16.2	-2.5	-18.7	-14.9	+3.8
25-34. . . .	69	22.0	70	22.0	61	13.5	75	15.2	-0.0	-8.5	-8.5	-6.8	+1.7
35-44. . . .	155	43.6	96	25.1	75	21.9	59	18.6	-18.5	-3.2	-21.7	-25.0	-3.3
45-54. . . .	202	24.7	227	30.9	175	21.8	160	20.4	+6.2	-9.1	-2.9	-4.3	-1.4
55-64. . . .	515	39.0	537	35.7	451	27.9	421	24.6	-3.3	-7.8	-11.1	-14.4	-3.3
65+	1,639	68.3	1,939	63.1	1,779	48.5	1,852	47.7	-5.2	-14.6	-19.8	-20.6	-0.8
NEGRO AND OTHER RACES													
Total . .	493	65.6	539	67.0	525	56.7	557	55.1	+1.4	-10.3	-8.9	-10.5	-1.6
Under 25 .	56	(*)	40	(*)	46	57.5	52	52.2	--	--	--	--	-5.3
25-34. . . .	32	(*)	22	(*)	13	15.3	16	16.2	--	--	--	--	+0.9
35-44. . . .	50	(*)	48	(*)	42	47.6	48	42.5	--	--	--	--	-5.1
45-54. . . .	123	(*)	103	(*)	79	50.1	79	44.8	--	--	--	--	-5.3
55-64. . . .	102	(*)	108	(*)	115	54.4	121	58.3	--	--	--	--	+3.9
65+	130	(*)	218	84.8	230	76.5	241	76.6	--	-8.3	--	--	+0.1

Sources: U.S. Bureau of the Census. *Current Population Reports, Consumer Income.* "Poverty in the United States 1959 to 1966." (Series P-60, No. 68) Dec. 31, 1969b. p. 35, 38. "24 Million Americans - Poverty in the United States: 1969." (Series P-60, No. 76) Dec. 16, 1970a. p. 53. Washington, D.C.: U.S. Government Printing Office.

* 1968, 1969 base less than 75,000; 1959, 1964 base less than 200,000.

Table 17a.—Number and Percent of Retired Couples with Current Money Incomes in 1967 below, within, and above the Three Budgets ("Lower," "Intermediate," "Higher") in 1967[a]

Income level	Families with male head 65 or over and wife not working	
	Number (000's)	*Percent*
Below lower budget ($2,670 or less)	1,660	35
Between lower and intermediate budgets ($2,671 - $3,857)	958	20
Between intermediate and higher budgets ($3,857 - $6,039)	864	18
Above higher budget ($6,040 or more)	1,257	27
Total families	4,745	100

Source: U.S. Bureau of Labor Statistics. 1970. "3 Budgets for a Retired Couple in Urban Areas in the United States 1967-68." *Bulletin* 1570-6. Washington, D.C.: U.S. Government Printing Office.

[a] Income data are for all U.S. (urban and rural) families; budget costs are for urban families only.

Table 17b.—Number and Percent of Retired Couples with Current Money Incomes in 1969 below, within, and above the Three Budgets ("Lower," "Intermediate," "Higher") in 1969[a]

Income level	Families with male head 65 or over and wife not in paid labor force, March 1970	
	Number (000's)	*Percent*
Below lower budget ($2,902 or less)	1,425	30
Between lower & intermediate budgets ($2,903 - 4,192)	855	18
Between intermediate and higher budgets ($4,193 - 6,616)	1,045	22
Above higher budget ($6,617 or more)	1,425	30
Total families	4,750	100

Source: U.S. Bureau of the Census. 1970c. "Income in 1969 of Families and Persons in the United States," *Current Population Reports, Consumer Income* (Series P-60, No. 75) Washington, D.C.: U.S. Government Printing Office. Table 17, p. 37.

[a] Income data are for all U.S. (urban and rural) families; budget costs are for urban families only.

Table 17c.—Number and Percent of City Workers' Families with Current Money Income in 1967 below, within, and above the Three Budgets ("Lower," "Intermediate," "Higher") in 1967[a]

Income level	Families with male head, age 35-44, married, wife present and not in paid labor force, March 1968	
	Number (000's)	*Percent*
Below lower budget ($5,914 or less)	1,076	18
Between lower and intermediate budgets ($5,915 - 9,076)	1,792	30
Between intermediate and higher budgets ($9,076 - 13,050)	1,732	29
Above higher budget ($13,051 or more)	1,374	23
Total families	5,974	100

Source: Courtesy of Helen H. Lamale. 1971b. Letter to the Author, February 4. Dr. Yung-Ping Chen, Associate Professor of Economics, University of California at Los Angeles.

[a] Income data are for all U.S. (urban and rural) families; budget costs are for urban families only.

Table 17d.—Number and Percent of City Workers' Families with Current Money Income in 1969 below, within, and above the Three Budgets ("Lower," "Intermediate," "Higher") in 1969[a]

Income level	Families with male head, age 35-44, married, wife present and not in paid labor force, March 1970	
	Number (000's)	*Percent*
Below lower budget ($6,543 or less)	887	16
Between lower and intermediate budgets ($6,544-10,064)	1,552	28
Between intermediate and higher budgets ($10,064 - 14,571)	1,662	30
Above higher budget ($14,572 or more)	1,441	26
Total families	5,542	100

Source: Courtesy of Helen H. Lamale. 1971. Letter to the author, January 26. Dr. Yung - Ping Chen, Associate Professor of Economics, University of California at Los Angeles.

[a] Income data are for all U.S. (urban and rural) families; budget costs are for urban families only.

Table 18.—Net Worth by Age Groups, 1962

Age of head of spending unit or family	Median net worth	
	Survey of consumer finances	Survey of financial characteristics
Under 25	$ 250	$ 270
25-34.	1,800	2,080
35-44.	6,000	8,000
45-54.	9,000	11,950
55-64.	9,960	14,950
65 and over.	8,000	10,450
All groups	4,700	7,550

Sources: Survey, Research Center, University of Michigan. 1963. *1962 Survey of Consumer Finances.* Ann Arbor, Michigan: University of Michigan. pp. 128-29. U.S. Board of Governors of the Federal Reserve System. "Survey of Financial Characteristics of Consumers," *Federal Reserve Bulletin,* March 1964. p. 291.

Table 19.—Median Income for Units Aged 65 and Over in 1962: Actual vs. Potential Incomes

Unit	Actual income	Potential income			
		Amount	% Improvement over actual income when home equity excluded	Amount	% Improvement over actual income when home equity included
Married couples	$2,875	$3,130	9	$3,795	32
Nonmarried men	1,365	1,500	14	1,845	35
Nonmarried women	1,015	1,130	10	1,395	37

Source: Based on Lenore A. Epstein and Janet H. Murray. 1967. *The Aged Population of the United States.* Social Security Administration, Research Report, No. 19, Washington, D.C.: U.S. Government Printing Office. p. 71.

Table 20.—Homeownership among Nonfarm Families by Age-of-Head Groups, 1949-1969

Age of head	1949	1954	1960	1965	1969
All age groups . . .	50%	56%	58%	63%	61%
Under 25 . . .	21	17	14	19	12
25-34.	35	42	44	47	47
35-44.	53	57	64	69	72
45-54.	59	63	69	75	73
55-64.	62	66	62	71	70
65+	59	63	65	71	71

Sources: For 1949, 1954, 1960, and 1965, from *1965 Survey of Consumer Finances.* 1966. p. 117; for 1969, from *1969 Survey of Consumer Finances.* 1970. Ann Arbor, Michigan: Survey Research Center, University of Michigan.

Table 21.—Incidence of Poverty Among Aged Units in 1962: Actual vs. Potential Income a la Alternative Poverty Lines

Poverty income* (A for couples) (B for single)	% of aged units in poverty								
	Married couples			Nonmarried men			Nonmarried women		
	Actual income	Potential income		Actual income	Potential income		Actual income	Potential income	
		Home excluded	Home included		Home excluded	Home included		Home excluded	Home included
1. A $2,000	29	25	17	57	48	43	69	66	54
B 1,500									
2. A 1,800	22	19	13	57	48	43	69	66	54
B 1,500									

Source: Yung-Ping Chen. 1966. "Economic Poverty: The Special Case of the Aged," *The Gerontologist* 6(1). p. 42.

* These poverty income levels approximate those specified in the weighted averages for (I) a nonfarm family of two persons with head age 65 or over ($1,850) and (II) a nonfarm single person age 65 or over ($1,480 for a male and $1,465 for a female). See Mollie Orshansky. 1965." Counting the Poor: Another Look at the Poverty Profile," *Social Security Bulletin.* January, p. 28.

Table 22.—Median Liquid Assets* by Age of Head Groups, 1960-1969

Age	1960	1960 (owners only)	1963	1965	1968	1969	1969 (owners only)
All age groups	$500	$900	$440	$570	$660	$730	$1,690
Under 25	400	700	145	80	190	200	350
25-34			255	320	390	390	620
35-44	700	900	450	650	660	760	1,250
45-54	800	1,100	710	1,200	770	890	2,010
55-64			765	960	1,150	1,740	4,750
65+	1,000	3,000	1,215	1,630	1,350	2,130	6,570

Sources: For 1960, *1960 Survey of Consumer Finances.* 1961. pp. 124, 130-33; for 1963, *1963 Survey of Consumer Finances.* 1964. p. 100; for 1965-1969, *1969 Survey of Consumer Finances.* 1970. p. 100. Ann Arbor, Michigan: Survey Research Center, University of Michigan.

*Liquid assets include checking accounts, savings accounts (with banks, credit unions, and savings and loan associations), and non-marketable U.S. Government bonds.

Table 23.—Proportion of Age of Head Groups Without Liquid Assets, 1960-1969

Age	1960	1963	1965	1968	1969
All age groups	24%	24%	20%	19%	19%
Under 25	26	27	31	15	16
25-34		22	20	14	15
35-44	20	20	20	19	16
45-54	22	20	17	18	19
55-64		28	17	19	21
65+	30	26	25	24	23

Sources: For 1960, *1960 Survey of Consumer Finances.* 1961. pp. 124, 130-33; for 1963, *1963 Survey of Consumer Finances.* 1964. p. 100; for 1965, *1965 Survey of Consumer Finances.* 1966. p. 53; for 1968, *1968 Survey of Consumer Finances.* 1969. p. 114; for 1969, *1969 Survey of Consumer Finances.* 1970. p. 103. Ann Arbor, Michigan: Survey Research Center, University of Michigan.

Table 24.—Proportion of Age-of-Head Groups with Liquid Assets More Than $10,000, 1960-1969

Age	Percent distribution in each age group				
	1960	1963	1965	1968	1969
Under 25	*	1%	*	1%	1%
25-34		1	1%	2	1
35-44	3	3	6	5	5
45-54	8	8	6	11	11
55-64		10	9	16	19
65+	12	12	16	17	22

Sources: For 1960, *1960 Survey of Consumer Finances.* 1961. pp. 130-33; for 1963, *1963 Survey of Consumer Finances.* 1964. p. 100; for 1965, *1965 Survey of Consumer Finances.* 1966. p. 53; for 1968, *1968 Survey of Consumer Finances.* 1969. p. 114; for 1969, *1969 Survey of Consumer Finances.* 1970. p. 103. Ann Arbor, Michigan: Survey Research Center, University of Michigan.

* denotes less than 0.5%.

Table 25.—Consumer Price Index Selected Items, 1960 and 1970[a] U.S. Averages

	1960	Nov. 1970
All items	103.1	137.8
Housing	103.1	139.3
Rent	103.1	125.7
Homeownership costs	103.7	159.3
Property taxes	--	143.2*
Property insurance rates	104.6	155.7
Maintenance and repairs	103.5	156.0
Mortgage interest rates	106.7	149.2
Fuel and utilities	--	120.7
Food	101.4	132.4
Apparel and Upkeep	102.2	135.7
Transportation	103.8	134.4
Private	103.2	130.1
Public	107.0	175.0
Medical Care	108.1	168.7
Drugs and prescriptions	102.3	101.8
Physicians' fees	106.0	171.4
Dentists' fees	104.7	155.6
Examination, prescription, and dispensing of eyeglasses	103.7	141.6
Hospital daily service charges	112.7	300.7
Operating room charges	--	188.9*
X-rays, diagnostic series, upper G.I.	--	134.4*
Reading/Recreation	104.9	139.3

Source: U.S. Bureau of Labor Statistics. 1971. *The Consumer Price Index for 1970.* Washington, D.C.: U.S. Government Printing Office.

[a] Base year is 1957-59 except where (*) is shown which indicates December 1963 as the base.

Table 26.—Percentage Distribution of Families Experiencing or Expecting Income Change by Age-of-Head Groups, 1964–1969

I

	Income change from 1964 to 1965			Expected income change from 1965 to 1966		
	Up	Same	Lower	Higher	Same	Lower
All age groups .	55%	28%	17%	45%	47%	8%
Under 25 . . .	78	12	10	68	23	9
25-34.	68	15	17	65	28	7
35-44.	63	21	16	53	42	5
45-54.	58	24	18	50	41	9
55-64.	47	33	20	33	57	10
65+	30	57	13	16	74	10

Source: Survey Research Center, University of Michigan, 1969. *Survey of Consumer Finances,* pp. 25 and 28. Ann Arbor, Mich.: University of Michigan.

II

	Income change from 1967 to 1968			Expected income change in 1969		
	Up	Same	Lower	Higher	Same	Lower
All age groups .	55%	30%	15%	49%	42%	9%
Under 25 . . .	73	15	12	73	19	8
25-34.	70	14	16	68	24	8
35-44.	65	23	12	60	33	7
45-54.	59	27	14	54	37	9
65-74.	28	54	18	16	68	16
75+	27	65	8	12	83	5

Source: Survey Research Center, University of Michigan, 1969. *Survey of Consumer Finances.* Ann Arbor, Michigan: University of Michigan, pp. 25 and 28.

Table 27.—Percentage Distribution of Age-of-Head Groups Experiencing Income Change in Two Successive Years

Age	Income change in two years (Survey year and the previous year)		
	Increase	Same	Decrease
Under 65	42%	37%	20%
65 and over . . .	17%	67%	16%
65-74.	18%	62%	18%
75 and over . .	14%	72%	12%

Source: Unpublished data from *Survey of Consumer Expenditures.* 1960–61. (Tabulated from the General Purpose Tape). Bureau of Labor Statistics, U.S. Department of Labor, Washington, D.C.: U.S. Government Printing Office.

Table 28.—Percentage Distribution of Age-of-Head Groups Experiencing Stable Income for Three Successive Years

Age	Stable income for three years (Survey year and the two previous years)
All age groups. .	28%
Under 25. . . .	10
25-34.	14
35-44.	22
45-54.	25
55-64.	33
65+	54

Source: Unpublished data from *Survey of Consumer Expenditures, 1960–61.* (Tabulated from the General Purpose Tape.) Bureau of Labor Statistics, U.S. Department of Labor. Washington, D.C.: U.S. Government Printing Office.

Table 29.—OASDHI and OAA: Population Aged 65 and Over Receiving OASDHI Cash Benefits, OAA Payments, or Both, February 1940—1968

Year	Aged population[a] receiving—						Persons receiving both OASDHI and OAA as percent of—	
	OASDHI		OAA		Both OASDHI and OAA, number per 1,000	OASDHI or OAA or both, number per 1,000	OASDHI beneficiaries	OAA recipients
	Number per 1,000		Number per 1,000					
1940[b]. . .	7	. . . .	217	. . . . .	. . . .	. . . .	. . . .	. . . . .
1945[b]. . .	62	. . . .	194	. . . . .	. . . .	. . . .	. . . .	. . . . .
1950	164	. . . .	224	. . . . .	22	366	13.4	9.8
1955	394	. . . .	179	. . . . .	34	539	8.7	19.2
1960	616	. . . .	141	. . . . .	41	716	6.7	28.5
1965[c]. . .	752	. . . .	117	. . . . .	52	817	6.9	44.4
1966	770	. . . .	113	. . . . .	55	828	7.1	48.7
1967	826	. . . .	110	. . . . .	58	877	7.0	53.1
1968[d]. . .	837	. . . .	105	. . . . .	60	882	7.1	57.2

Source: *Social Security Bulletin.* 1968. *Social Security Bulletin Annual Statistical Supplement.* Washington, D.C.: U.S. Government Printing Office.

[a] Population data on which ratio is based, furnished by Bureau of the Census. Data not adjusted for errors of coverage and of age misreporting.
[b] June data. Data not available on population receiving both OASDHI and OAA (concurrent payments).
[c] Data for 1965 estimated as of June; concurrent payments represent estimates as of April-June 1965.
[d] Data for 1968 estimated as of May.

TABLE 30.—OLD-AGE, SURVIVORS, DISABILITY, AND HEALTH INSURANCE

Fiscal Year Benefit Data

Cash benefits awarded and in current-payment status, fiscal 1970

Type of beneficiary	Benefit awards		Benefits in current-payment status			Amount of benefits paid[a] (in thousands)
	Number	Average amount	Number	Average amount	Monthly rate (in thousands)	
Total monthly beneficiaries	3,669,994	--	25,752,829	--	$2,559,003	$28,757,374
Retired workers and dependents	1,816,073	--	16,251,542	--	1,715,194	18,896,702
Retired workers	1,299,429	$110,90	13,066,466	$117.10	1,530,042	16,745,663
Wives and husbands	336,180	52.10	2,650,508	60.83	161,227	1,871,890
Children[b]	180,464	42.98	534,568	44.76	23,926	279,149
Disabled workers and dependents	733,833	--	2,567,520	--	233,094	2,778,146
Disabled workers	335,649	124.79	1,435,923	130.53	187,425	2,206,289
Wives and husbands	92,864	40.12	270,585	43.27	11,709	152,017
Children[b]	305,320	36.14	861,012	39.44	33,960	419,840
Survivors of deceased workers	1,084,699	--	6,366,510	--	585,075	6,778,197
Widowed mothers	116,491	79.63	513,880	86.02	44,203	527,653
Children[b]	603,924	72.81	2,672,521	81.93	218,972	2,526,581
Widows and widowers[c]	362,187	94.39	3,150,745	101.21	318,881	3,686,491
Parents	2,097	104.30	29,364	102.84	3,020	37,472
Special age-72 beneficiaries[d]	35,389	--	567,257	--	25,640	304,325
Primary	34,310	--	552,889	45.78	25,310	300,220
Wives	1,079	--	14,368	22.98	330	4,105
Lump-sum death payments[e]	1,257,773	236.78	--	--	--	288,092

Source: Social Security Administration. 1970a. *Monthly Benefit Statistics*, August 26, Washington, D.C.: U.S. Government Printing Office.

[a] Exceeds monthly rate of benefits in current-payment status because of the inclusion initial payments of amounts payable for prior months. Distribution by type of monthly benefit estimated.

[b] Includes disabled persons aged 18 and over whose disability began before age 18.

[c] Includes actuarially reduced benefits for widows and divorced wives aged 60-61; a total of 126,479 such beneficiaries were in current-payment status. Also includes disabled widows and widowers aged 50-61; a total of 45,349 such persons were in current-payment status.

[d] Represents benefits authorized by Public Law 89-368 (1966) for certain persons aged 72 and over who are not insured under the regular or transitional insured status-provisions of the Social Security Act.

[e] Number of lump-sum payments shown were paid on the accounts of 1,216,703 deceased workers; the average amount represents average per deceased worker.

Table 31.—OASDHI and Old Age Assistance: Average Monthly Payments in Current and 1968 Prices, 1950 - 1968

[1968 dollars rounded to nearest five cents]

December	Consumer price index, all items[a] (1957-59=100)	Average monthly retired-worker benefit under OASDHI						Average monthly money payments under—	
		Workers who retired in 1950[b]		All retired workers with benefits in current-payment status		Widowed mother and 2 children		Old-age assistance, per recipient	
		Current dollars	1968 dollars	Current dollars	1968 dollars	Current dollars	1968 dollars	Current dollars	1968 dollars
1950	87.1	$49.50	$70.30	$43.86	$62.30	$93.90	$133.35	$43.05	$61.15
1951	92.2	49.50	66.40	42.14	56.55	93.80	125.85	44.55	59.75
1952	93.0	55.70	74.10	49.25	65.50	106.00	141.00	48.80	64.90
1953	93.6	55.70	73.60	51.10	67.55	111.90	147.90	48.90	64.60
1954	93.2	60.70	80.55	59.14	78.50	130.50	173.20	48.70	64.65
1955	93.5	60.70	80.30	61.90	81.90	135.40	179.10	50.05	66.20
1956	96.2	60.70	78.05	63.09	81.10	141.00	181.30	53.25	68.45
1957	99.1	60.70	75.75	64.58	80.60	146.30	182.60	55.50	69.30
1958	100.8	60.70	74.15	66.35	81.05	151.70	186.15	56.95	69.90
1959	102.3	65.00	78.60	72.78	88.00	170.70	206.40	56.70	68.55
1960	103.9	65.00	77.40	74.04	88.15	188.00	223.85	58.90	70.15
1961	104.5	65.00	76.95	75.65	89.55	189.30	224.10	57.60	68.20
1962	105.8	65.00	76.00	76.19	89.10	190.70	222.95	61.55	71.95
1963	107.6	65.00	74.75	76.88	88.40	192.50	221.30	62.80	72.20
1964	108.8	65.00	73.90	77.57	88.20	193.40	219.90	63.65	72.35
1965	111.0	69.60	77.55	83.92	93.55	219.80	244.95	63.10	70.30
1966	114.7	69.60	75.05	84.35	90.95	221.90	239.30	68.05	73.40
1967	118.2	69.60	72.85	85.37	89.35	224.40	234.85	70.15	73.40
1968	123.7	78.70	78.70	98.86	98.86	257.10	257.10	69.55	69.55

Source: *Social Security Bulletin.* 1968. *Social Security Bulletin Annual Statistical Supplement.* Washington, D.C.: U.S. Government Printing Office, p. 31.

[a] Data from the Bureau of Labor Statistics.

[b] Data reflect for the worker retiring in 1950 (September-December), with the average monthly benefit then payable to those who qualify under the insured-status provisions of the 1939 amendments, the subsequent changes in his benefit resulting from legislative liberalizations.

Table 32.—Private Pension and Deferred Profit-Sharing Plan[a]: Estimated Coverage, Contributions, Beneficiaries, Benefit Payments, and Reserves, 1950, 1955, 1960–1968

Year	Coverage,[b] end of year (in thousands)			Employer contributions (in millions)			Employee contributions (in millions)		
	Total	Insured	Non-insured	Total	Insured	Non-insured	Total	Insured	Non-insured
1950.	9,800	2,600	7,200	$1,750	$720	$1,030	$330	$200	$130
1955.	15,400	3,800	11,600	3,280	1,100	2,180	500	280	280
1960.	21,200	4,900	16,300	4,740	1,190	3,550	790	300	490
1961.	22,200	5,100	17,100	4,870	1,180	3,690	800	200	510
1962.	23,100	5,200	17,900	5,190	1,240	3,950	850	310	540
1963.	23,800	5,400	18,400	5,510	1,390	4,120	870	300	570
1964.	24,600	6,000	18,600	6,170	1,520	4,050	930	320	610
1965.	25,400	6,300	19,100	7,040	1,740	5,300	1,030	360	670
1966.	26,100	7,000	19,400	7,730	1,830	5,900	1,070	370	700
1967.	27,000	7,800	19,800	8,510	2,010	6,500	1,150	390	760
1968.	28,200	8,100	20,100	9,380	2,280	7,100	1,200	420	840

Year	Number of beneficiaries, end of year (in thousands)			Amount of benefit payments (in millions)			Reserves, end of year (in billions)		
	Total	Insured	Non-insured	Total[c]	Insured	Non-insured	Total	Insured	Non-insured
1950. . . .	450	150	300	$370	$80	$290	$12.1	$5.6	$6.5
1955. . . .	980	200	600	850	180	670	27.5	11.3	16.1
1960. . . .	1,780	540	1,240	1,750	390	1,360	52.0	18.8	33.1
1961. . . .	1,910	570	1,340	2,000	450	1,550	57.8	20.2	37.5
1962. . . .	2,100	630	1,470	2,340	510	1,830	63.5	21.6	41.9
1963. . . .	2,280	690	1,590	2,570	570	2,000	69.9	23.3	46.5
1964. . . .	2,490	740	1,750	2,890	640	2,250	77.2	25.2	51.9
1965. . . .	2,750	790	1,960	3,370	720	2,650	85.4	27.3	58.1
1966. . . .	3,110	870	2,210	3,910	810	3,100	93.9	29.4	64.5
1967. . . .	3,420	940	2,480	4,410	910	3,500	103.9	32.0	71.8
1968. . . .	3,760	1,000	2,760	5,030	1,030	4,060	115.3	35.0	80.3

Source: Walter W. Kolodrubetz, 1970. "Private and Public Retirement Pensions: Findings from the 1968 Survey of the Aged," *Social Security Bulletin,* September, 3-22. Washington, D.C.: U.S. Government Printing Office.

[a] Includes pay-as-you-go, multi-employer, and union-administered plans, those of nonprofit organizations, and railroad plans supplementing the Federal Railroad Retirement Program. Insured plans are underwritten by insurance companies; non-insured plans are, in general, funded through trustees.

[b] Excludes annunitants; employees under both insured and noninsured plans are included only once—under the insured plans.

[c] Includes refunds to employees and their survivors and lump-sums paid under deferred profit-sharing plans.

Table 33.—Age Of Head—Families And Unrelated Individuals By Total Money Income In 1969, For The United States

(Families and unrelated individuals as of March 1970)

Total money income	Families							Unrelated individuals						
	Total	Age of head (years)						Total	Age (years)					
		14 to 24	25 to 34	35 to 44	45 to 54	55 to 64	65 and over		14 to 24	25 to 34	35 to 44	45 to 54	55 to 64	65 and over
Number .... thousands..	51,237	3,524	10,608	10,884	10,829	8,314	7,078	14,452	1,735	1,537	1,092	1,742	2,724	5,622
Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under $1,000	1.6	3.7	1.2	1.1	0.9	1.7	2.6	13.7	22.9	6.1	9.7	11.5	11.9	15.2
$1,000 to $1,499............	1.3	1.6	0.8	0.7	0.7	1.4	3.6	12.8	8.1	3.0	4.2	4.5	9.9	22.6
$1,500 to $1,999............	1.8	1.9	0.9	0.7	1.2	1.7	6.0	10.6	7.8	4.0	4.3	6.0	7.8	17.2
$2,000 to $2,499............	2.4	4.3	1.4	0.9	0.9	2.0	7.9	7.9	7.7	3.8	4.3	6.5	5.0	11.7
$2,500 to $2,999............	2.2	3.2	1.2	0.9	1.0	2.0	7.3	5.8	7.1	2.0	3.7	3.1	6.5	7.4
$3,000 to $3,499............	2.6	4.1	1.7	1.4	1.4	2.4	7.0	5.1	6.6	4.4	3.7	5.2	6.0	4.6
$3,500 to $3,999............	2.7	4.2	2.0	1.5	1.7	2.2	7.0	5.1	7.5	4.1	3.6	5.7	5.8	4.3
$4,000 to $4,999............	5.4	9.0	4.5	3.4	3.7	5.4	10.6	7.7	9.5	8.2	8.4	10.9	10.6	4.6
$5,000 to $5,999............	5.9	11.0	5.8	4.8	4.1	5.8	8.3	6.7	8.0	11.6	8.2	9.6	7.8	3.3
$6,000 to $6,999............	6.4	10.4	7.5	5.4	5.0	6.4	6.6	6.1	5.8	11.8	9.1	8.7	7.8	2.3
$7,000 to $7,999............	7.3	11.3	8.7	6.6	5.9	7.5	6.0	5.0	4.1	10.2	10.7	7.8	5.4	1.8
$8,000 to $8,999............	7.4	9.2	9.8	7.6	6.4	6.9	4.7	3.4	2.1	8.9	6.1	4.7	3.8	1.2
$9,000 to $9,999............	7.0	7.5	9.2	7.5	6.1	7.2	4.0	2.1	0.8	5.3	3.8	2.8	2.6	0.8
$10,000 to $11,999..........	13.0	9.7	17.0	15.8	13.7	11.0	5.7	3.1	0.8	7.7	7.6	4.8	3.9	0.8
$12,000 to $14,999..........	13.7	6.5	15.1	17.8	16.8	13.0	4.9	2.5	0.8	5.0	6.6	4.1	3.0	0.8
$15,000 to $24,999..........	15.6	2.2	12.1	19.9	23.9	17.8	5.6	1.8	0.3	2.8	5.3	3.1	1.8	1.0
$25,000 to $49,999..........	3.2		1.0	3.6	5.8	5.0	1.8	0.5	-	0.9	0.6	1.1	0.4	0.4
$50,000 and over............	0.4	(Z)	0.2	0.5	0.7	0.6	0.3	0.1	-	0.2	-	-	-	0.1
Median income..............	$9,433	$6,665	$9,499	$10,962	$11,596	$9,648	$4,803	$2,931	$2,748	$6,239	$5,967	$4,696	$3,748	$1,855
Mean income	$10,577	$6,842	$9,942	$11,974	$12,933	$11,353	$6,722	$4,248	$3,164	$6,741	$6,484	$5,557	$4,613	$2,884
Head year-round full-time worker:														
Percent of total excluding Armed Forces	66.6	53.9	77.9	81.6	78.7	67.7	14.0	35.3	30.6	67.8	68.5	61.3	47.8	7.3
Median income	$11,161	$8,091	$10,313	$11,734	$12,600	$11,221	$8,935	$6,246	$5,178	$7,180	$7,171	$6,331	$5,831	$4,687
Mean income.............	$12,482	$8,366	$10,918	$12,952	$14,100	$13,041	$11,096	$6,926	$5,147	$7,983	$7,827	$7,173	$6,399	$5,910

Source: U.S. Bureau of the Census, 1970d. *Current Population Reports, Consumer Income* (Series P-60, No. 70) Washington, D.C.: U.S. Government Printing Office, p. 4.

- Represents zero. Z Less than 0.05 percent.

Table 34.—Age—Persons 14 Years Old and Over by Total Money Income in 1969, By Sex, for the United States

(Persons 14 years old and over as of March 1970)

Total money income	Male								Female							
	Total	Age (years)							Total	Age (years)						
		14 to 19	20 to 24	25 to 34	35 to 44	45 to 54	55 to 64	65 and over		14 to 19	20 to 24	25 to 34	35 to 44	45 to 54	55 to 64	65 and over
Number of persons thous . .	69,027	11,125	7,067	12,045	11,087	11,081	8,561	8,062	76,277	11,220	8,356	12,576	11,717	11,972	9,599	10,837
Number of persons with income . . . thous . .	63,882	6,777	6,721	11,943	11,039	10,992	8,452	7,958	50,224	5,598	6,473	7,462	7,359	7,764	6,501	9,067
Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
$1 to $499 or less	6.1	42.8	5.0	1.2	0.9	1.3	1.7	1.3	15.7	52.6	12.8	15.0	13.6	10.0	10.4	6.2
$500 to $999.	4.8	21.4	7.7	0.8	1.2	1.1	2.3	6.5	13.4	17.6	11.3	8.8	8.1	8.1	12.8	25.3
$1,000 to $1,499	4.6	11.4	7.3	1.2	1.0	1.4	3.3	12.4	11.3	10.8	9.1	8.2	7.1	7.5	10.1	23.2
$1,500 to $1,999	4.0	6.7	6.7	1.3	0.9	1.9	3.0	11.8	7.7	5.6	8.4	5.9	5.6	5.5	7.0	14.2
$2,000 to $2,499	4.1	5.8	7.5	1.8	1.3	1.6	3.3	11.3	7.0	4.6	8.2	6.7	6.4	6.4	6.4	9.1
$2,500 to $2,999	3.4	3.1	6.1	1.3	1.1	1.6	3.4	10.3	5.0	2.4	6.0	5.4	6.0	4.7	5.8	4.3
$3,000 to $3,999	6.6	3.9	12.7	5.1	3.3	4.5	6.5	13.7	10.9	3.0	14.7	13.1	13.7	13.7	11.2	6.2
$4,000 to $4,999	6.2	2.1	9.8	6.4	5.0	5.4	7.2	8.1	8.9	2.1	12.3	10.8	11.5	12.1	10.1	3.2
$5,000 to $5,999	7.0	1.3	10.5	9.1	6.9	6.8	8.0	5.4	6.9	0.8	9.1	9.0	9.6	9.9	7.3	2.4
$6,000 to $6,999	7.6	0.7	8.8	10.5	8.4	8.4	8.6	4.4	4.8	0.2	4.7	7.1	6.5	7.4	5.7	1.7
$7,000 to $7,999	8.3	0.3	7.8	11.6	10.2	10.6	9.3	3.3	3.1	0.1	2.0	4.5	4.5	5.2	4.0	1.0
$8,000 to $9,999	13.3	0.2	6.3	20.6	18.7	17.3	15.2	4.1	2.8	0.1	1.0	3.9	4.1	5.0	4.2	1.2
$10,000 to $14,999	16.2	0.2	3.5	22.4	27.0	24.1	17.6	4.0	1.9	0.1	0.3	1.4	3.0	3.5	4.0	1.0
$15,000 to $24,999	6.1	(Z)	0.2	5.9	11.2	10.2	7.5	2.2	0.4	--	(Z)	0.1	0.4	0.6	0.8	0.5
$25,000 and over.	1.8	--	(Z)	0.8	2.9	3.7	3.0	1.2	0.1	--	--	0.1	0.1	0.3	0.3	0.2
Median income	$6,429	$667	$3,763	$7,974	$9,045	$8,619	$7,279	$2,828	$2,132	$475	$2,515	$3,000	$3,237	$3,558	$2,791	$1,397
Mean income.	$7,202	$1,099	$4,149	$8,378	$10,042	$9,873	$8,405	$4,306	$2,945	$872	$2,807	$3,309	$3,592	$3,956	$3,594	$2,170
Year-round full-time workers:																
Percent of total excluding Armed Forces.	59.0	6.2	40.8	78.9	84.0	80.8	69.7	14.2	30.7	6.4	34.5	37.3	42.6	49.5	39.9	5.1
Median income	$8,668	$3,150	$6,169	$8,678	$9,625	$9,307	$8,399	$6,581	$5,077	$3,405	$4,648	$5,352	$5,236	$5,302	$5,152	$4,705
Mean income.	$9,737	$3,348	$6,164	$9,185	$10,742	$10,767	$9,781	$8,356	$5,405	$3,307	$4,594	$5,433	$5,564	$5,665	$5,780	$5,415

Source: U.S. Bureau of the Census. 1970d. *Current Population Reports, Consumer Income* (Series P-60, No. 70) Washington, D.C.: U.S. Government Printing Office, p. 5.

- Represents zero.

Z Less than 0.05 percent.

Table 35.—Median Income of Aged Units by Marital Status and Work Experience, 1962 and 1967

Marital status	Median income	
	1962	1967
Married couples:		
With usually full-time work	$4,670	$4,691
With usually part-time work	3,020	
Did not work	2,350	2,621
Nonmarried men:		
With usually full-time work	3,720	2,518
With usually part-time work	1,475	
Did not work	1,225	1,516
Nonmarried women:		
With usually full-time work	2,440	2,200
With usually part-time work	1,620	
Did not work	930	1,162

Sources: For 1962, Lenore A. Epstein and Janet H. Murray. 1967. *"The Aged Population of the United States," The 1963 Social Security Survey of the Aged,* Tables 3, 4, p. 289. U.S. Department of Health, Education, and Welfare, Research Report No. 19. Washington, D.C.: U.S. Government Printing Office. For 1967, Lenore E. Bixby. 1970. "Income of People Aged 65 and Older: Overview from the 1968 Survey of the Aged," *Social Security Bulletin,* April, 3-34. Washington, D.C.: U.S. Government Printing Office, p. 19, Table 9.

Table 36.—Distribution of the Aged by Labor Force Status, 1970 (Annual Averages)

	Number in thousands				Percent of total			
Employed	3,117				16.4%			
Agricultural.....		470				2.5%		
Non-Agricultural .		2,647				13.9		
Not at work...			218				1.1	
At work			2,429				12.8	
Full time ..				1,393				7.3
Involuntary part time .				81				.4
Voluntary part time .				955				5.0
Unemployed	104				0.5			
Not in the labor force	15,775				83.0			
Ill health		1,546				8.1		
Keeping house...		8,534				44.9		
Retirement.....		5,316				28.0		
Think cannot get job.........		97				.5		
All other reasons .		282				1.5		
Total	18,996					100.0		

Sources: Calculated from *Employment and Earnings,* Vol. 17, No. 7, January 1971. Bureau of Labor Statistics, U.S. Department of Labor. Washington, D.C.: U.S. Government Printing Office, pp. 121, 125, 131, and 136; and unpublished data through the courtesy of Margaret D. Dorsey, Office of Manpower and Employment Statistics, Division of Employment and Unemployment Analysis, U.S. Department of Labor.

Table 37.—Comparison of Aged and Younger Persons by Various Labor Force Characteristics, 1970 (Annual Averages)

	(Number in thousands)		
	65+ Aged	16-64 Younger	Aged as percent of total
Civilian noninstitutional population	18,996	117,999	13.9
Unemployed	104	3,984	2.5
Involuntary nonagricultural part time	81	2,115	3.7
Discouraged job-seekers (Type I)	97	541	15.2
Discouraged job-seekers (Type II)	141	1,433	9.0
Total	423	8,073	

Sources: Calculated from *Employment and Earnings,* Vol. 17, No. 7, January 1971. Bureau of Labor Statistics, U.S. Department of Labor. Washington, D.C.: U.S. Government Printing Office, pp. 121, 125, 131, and 136; and unpublished data through the courtesy of Margaret D. Dorsey, Office of Manpower and Employment Statistics, Division of Employment and Unemployment Analysis, U.S. Department of Labor.

Table 38.—Median Income of Aged Units by Marital and OASDHI Beneficiary Status, 1962 and 1967

Marital status	Median income	
	1962	1967
Married Couples:		
Beneficiaries[a]	$2,710	$3,199
Nonbeneficiaries	3,580	5,218
Nonmarried Men:		
Beneficiaries[a]	1,375	1,742
Nonbeneficiaries	1,145	1,322
Nonmarried Women:		
Beneficiaries[a]		
Retired	1,300	1,412
Widowed	1,105	1,230
Nonbeneficiaries	755	1,032

Sources: For 1962 data, Lenore A. Epstein and Janet Murray. 1967. "The Aged Population of the United States." *The 1963 Social Security Survey of the Aged,* Social Security Administration, Research Report No. 19. Washington, D.C.: U.S. Government Printing Office, p. 288, Table 3.3. For 1967 data, Lenore E. Bixby. 1970. "Income of People Aged 65 and Older: Overview from the 1968 Survey of the Aged." *Social Security Bulletin,* April, 3-34. Washington, D.C.: U.S. Government Printing Office, p. 12, Table 4. Patience Lauriat. 1970. "Benefit Levels and Characteristics. *"The 1968 Social Security Survey of the Aged. Social Security Bulletin,* August, Washington, D.C.: Government Printing Office, p. 11, Table 4.

[a] Excludes part-year and parent beneficiaries in 1962; excludes beneficiaries who received their first benefits in February 1967 or later, transitionally insured; and special age-72 beneficiaries in 1967.

Table 39.—Taxable Earnings as Percent of Total Earnings of Wage and Salary and Self-Employed Workers Under OASDHI, 1951–1966

Year	Maximum earnings taxable and creditable	Taxable as percent of total:	
		Wages and salaries	Self-employment earnings
1951........	$3,600	84.0	57.9
1952........	3,600	82.8	59.6
1953........	3,600	80.7	58.8
1954........	3,600	79.6	60.0
1955........	4,200	82.6	64.2
1956........	4,200	81.2	62.7
1957........	4,200	79.8	61.2
1958........	4,200	78.4	61.7
1959........	4,800	81.6	62.6
1960........	4,800	79.9	63.0
1961........	4,800	79.3	62.5
1962........	4,800	77.7	59.8
1963........	4,800	76.4	59.0
1964........	4,800	74.4	56.5
1965........	4,800	74.1	49.3
1966........	6,600	83.0	56.1
1967........	6,600	81.3	55.6
1968........	7,800	84.2	58.7

Source: *Social Security Bulletin, 1968. Annual Statistical Supplement.* Washington, D.C.: U.S. Government Printing Office.

Table 40.—All Workers and 4-Quarter Workers with Taxable Earnings: Percent with Total Annual Earnings below Annual Maximum Taxable, by Sex, 1937–1968

Year	Annual maximum taxable earnings	All workers[a]			4-quarter workers[a, b]		
		Total	Men	Women	Total	Men	Women
1937	$3,000	96.9	95.8	99.7	...	...	...
1940	3,000	90.6	95.4	99.7	94.7	93.1	99.5
1945	3,000	86.3	78.6	98.9	76.1	64.9	97.9
1950	3,000	71.1	59.9	94.6	56.4	43.2	90.4
1951	3,600	75.5	64.8	96.7	65.2	53.6	91.4
1952	3,600	72.2	60.1	95.4	60.7	47.9	92.4
1953	3,600	68.9	55.6	93.8	56.2	42.5	80.7
1954	3,000	68.4	55.5	93.0	55.8	42.2	88.6
1955	4,200	74.3	63.3	95.9	64.7	53.5	93.2
1956	4,200	71.5	59.6	94.5	61.7	50.1	91.1
1957	4,200	70.3	59.0	93.2	60.9	50.3	89.1
1958	4,200	69.6	58.7	91.7	59.6	46.9	80.9
1959	4,800	73.3	62.7	94.3	64.4	54.0	90.9
1960	4,800	71.9	60.8	93.4	62.5	51.6	89.6
1961	4,800	70.8	59.6	92.4	61.1	50.2	88.0
1962	4,800	68.8	57.1	91.1	58.8	47.6	86.1
1963	4,800	67.5	55.4	90.0	56.9	45.5	84.3
1964	4,800	65.5	53.1	88.6	54.3	42.5	82.0
1965	4,800	63.9	51.0	87.3	52.0	39.9	80.0
1966	6,600	75.8	64.3	95.6	67.5	56.2	93.0
1967[c]	6,600	74.1	62.1	94.4	65.3	53.5	91.2
1968[c]	7,800	79.3	68.9	96.5	71.1	60.3	94.2

Source: *Social Security Bulletin, 1968. Annual Statistical Supplement.* Washington, D.C.: U.S. Government Printing Office.

[a] For 1937-50, relates to wage and salary workers. Beginning 1951, includes self-employment.

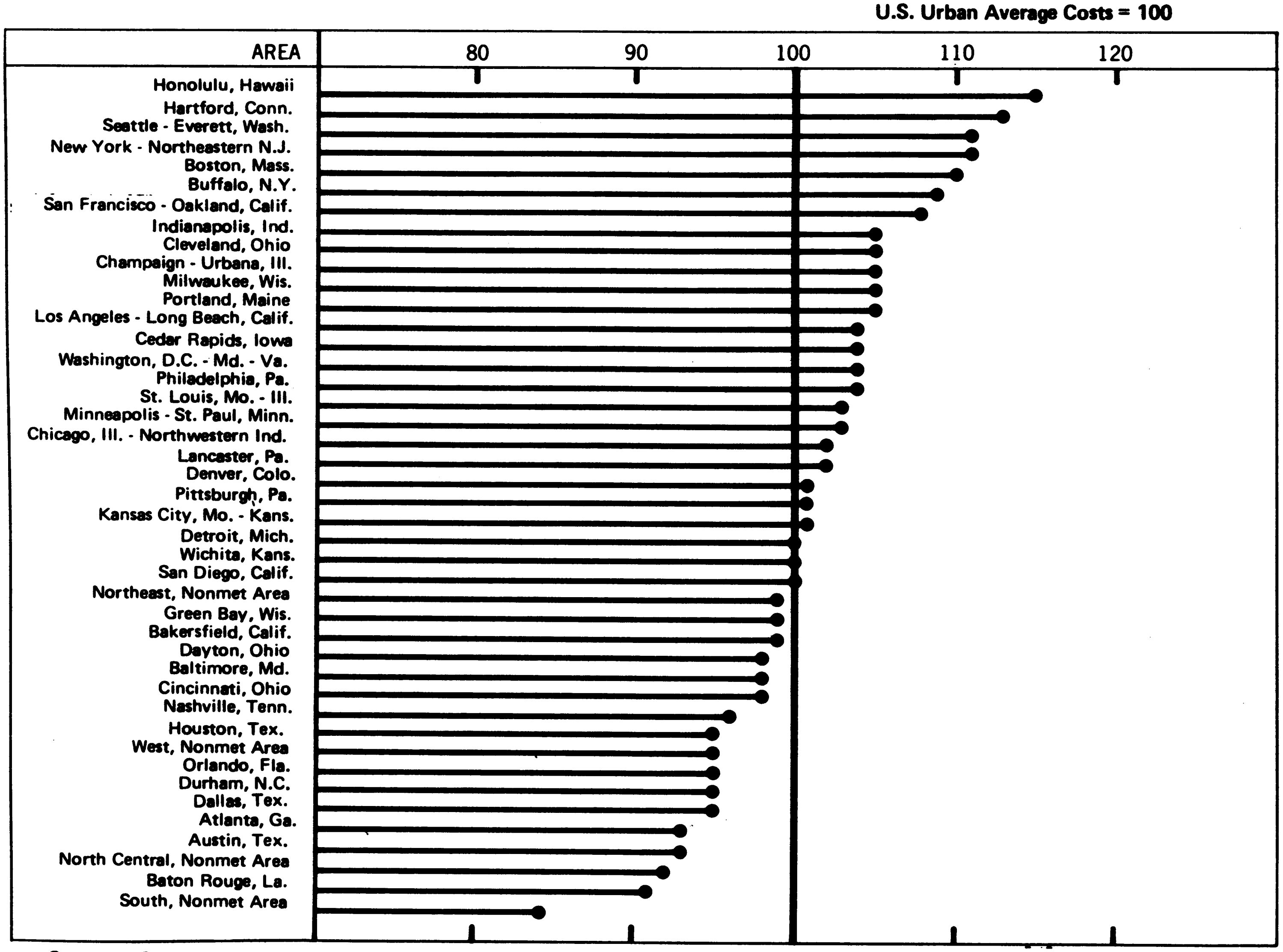
[b] For 1938-54, relates to all wage and salary workers with earnings reported in each calendar quarter or who earned the annual maximum taxable wages. Beginning 1951, includes all self-employed persons; and, beginning 1955, includes farm workers with $400 or more in annual farm wages and other combinations of farm and nonfarm wage and salary employment. Data for 1937 are not available.

[c] Preliminary data.

Chart 1—INDEXES OF COMPARATIVE LIVING COSTS

URBAN RETIRED COUPLE

(Intermediate budget, spring 1967)



Source: U.S. Bureau of Labor Statistics, 1970. "3 Budgets for a Retired Couple in Urban Areas of the United States 1967 - 68," *Bulletin* 1570 - 6. Washington, D.C.: U.S. Government Printing Office p. 32.

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APPENDIX A. DERIVING THE POVERTY INDEX[1]

The derivation of the index has been reported in detail in the Social Security Bulletin for January 1965. Only an abridged discussion is included below, with some additional evidence now available that lends credence to the index as a discriminant.

With no market basket to demarcate the line below which deprivation is almost inevitable and above which a limited measure of adequacy is at least possible, an adaptation was made of a principle most of us learn by heart: As income increases, families spend more dollars for food, but this larger amount takes a smaller share of income, leaving proportionately more money for other things. Accordingly, a low percentage of income going for food can be equated with prosperity and a high percentage with privation. Economists looking for a quick way to assess the relative well-being of dissimilar groups have long resorted to this device.

This procedure was followed but with an important modification. It was assumed that equivalent levels of adequacy were reached only when the proportion of income required to purchase an adequate diet was identical. The fact that in practice large families often seem to spend more of their income on food turns out on analysis to come about only because on the average the large families, particularly those with several children, have lower incomes than small families. The procedure had the important merit that for food a measure of adequacy is available in the Department of Agriculture food plans. Adequacy standards for other categories of family living are not available.

The food plans priced for nonfarm families today include both the low-cost one well known to welfare agencies and a newer economy level plan, costing about one-fourth less, designed for short-term use when funds are extremely low. Most families spend considerably more. In 1955, the latest year for which there are details, only one-tenth of all nonfarm families spent less than the economy plan. Today, 10 years later the number with such meager food outlays is no doubt even smaller. With this plan, adequate nutrition is attainable, but in practice nearly half the families spending so little fall far short of adequacy: Of families spending at this rate in 1955, more than 40 percent had diets providing less than two-thirds their requirements for one or more nutrients.[2]

The kind of diet made possible by the economy plan was taken to typify one level of living to be represented by the poverty index, and the low-cost plan an alternative higher level. A representative combination of members by age and sex was developed for families of given size and type, and the food-plan cost determined. On the basis of average spending patterns observed in 1955 among both farm and nonfarm families, it was decided that the total should represent no more than one-third of income, although at today's higher incomes, families currently average more nearly $1 out of $4 for their food than $1 out of $3.

For families of two persons, on the basis of the 1955 pattern, only 27 percent of income was assigned to food, because so small a unit will have heavier per capita fixed expenses than a larger unit. One-person households, for whom reliable data were lacking, were assumed to need 80 percent as much as the appropriate 2-person unit at the economy level and

Sources: [1]Mollie Orshansky, "Who's Who Among the Poor: A Demographic View of Poverty," *Social Security Bulletin,* (July, 1965), 8-9. The poverty index has been updated each year in accordance with price level changes.

[2]Betty B. Peterkin, "USDA Food Plans and Costs—Tools for Deriving Food Cost Standards for Use in Public Assistance," *Family Economic Review* (Department of Agriculture), March 1965.

72 percent as much at the low-cost level. The lower the income and the more restricted the budget, the more difficult it will be to cut such expenses as housing and utilities below the minimum for a couple.

For the poverty index the total food allowance was cut down to the current cost of the economy plan assuming all food prepared at home. Retaining the same proportion of income allotted to food as that for families spending much more implied that other items of family living could be reduced to the same degree. Admittedly this procedure is unrealistic, particularly with respect to housing, which looms so large in the nonfarm family budget. Judicious management can cut food costs at the sacrifice of dietary adequacy if need be, but the slum landlord is not likely to be satisfied with cheaper rent. For large families in the low-income range, many of them nonwhite, obtaining any housing at a price they can afford is difficult. Many welfare agencies in allotting funds have to budget rent as paid by their clients. There were, however, no available budget standards for housing that could be applied at the poverty level.

Data now available for 1960-61 suggest that nonfarm families then averaged 23.5 percent of aggregate income for food. Actually, however, it was only families with incomes of $6,000 or more that averaged food costs in this range. With incomes of $2,000-$3,000, families of two or more were devoting a third of income to food—the ratio assumed for the poverty index. Families in this income class, averaging slightly more than three persons, reported a per capita outlay for all food of $5.25 a week. The $4.55 spent for food at home is almost identical with the cost of the economy plan in 1964 for a 4-person family. At this rate, the critical income—that is, the poverty line—for such a family would be set at $3,150, compared with the $3,130 derived a *priori.*

APPENDIX B. THREE BUDGETS FOR A RETIRED COUPLE[1]

How much does it cost a retired couple to live, and what does it cost in one area as compared to another? These are two of the most often asked questions by couples who are retired or about to retire. A spring 1967 study released by Charles Roumasset, Pacific Regional Director of the U.S. Department of Labor's Bureau of Labor Statistics, attempts to provide answers to these questions.

The study shows the costs of budgets for a self-supporting retired couple in 40 urban areas at three levels of living. Roumasset indicated that this study presents for the first time budget data for a retired couple at a higher and lower level as well as at the intermediate level. The intermediate budget is comparable to the autumn 1966 moderate budget published in June 1968. Budget costs are presented for seven areas in the Pacific Region[2] and 33 other U.S. urban areas, U.S. urban averages for metropolitan and for nonmetropolitan areas, and averages for small nonmetropolitan areas in four broad geographic regions: Northeast, North Central, South, and West.

Roumasset pointed out that budget costs at the intermediate level for a retired couple in the Pacific Region in the spring of 1967 ranged from $3,815 in Bakersfield, California, to $5,274 in Anchorage, Alaska. At the higher level, costs ranged from $5,978 in Bakersfield to $7,960 in Anchorage, and at the lower level, from $2,650 in Bakersfield to $3,991 in Anchorage. Roumasset cautioned, however, that rising prices since the spring of 1967 have boosted the cost of goods and services by more than 10 percent.

The budgets have been developed to meet the needs of public assistance agencies, voluntary social and welfare agencies, businesses, labor unions, and individuals concerned with retirement planning.

The retired couple is defined as husband, age 65 or over, and his wife, living independently in a separate dwelling and enjoying reasonably good health. The budgets are based on the manner of living and consumer choices of the 1960's. They permit the couple to maintain its health and well-being, and to participate in community activities. The goods and services were selected as follows: nutritional and health standards, as determined by experts, were used for the food-at-home and housing components. However, the selection among the various kinds of foods and housing arrangements were based on actual choices made by families as revealed by surveys of consumer expenditures. In the absence of standards, the choices reported in the BLS Survey of Consumer Expenditures were used for housefurnishings, household operation, clothing, personal care, reading, recreation, meals away from home, and alcoholic beverages.

The style of living provided by the lower budget differs from the intermediate and higher levels in this manner: A smaller proportion of couples own their homes, dwelling units lack air conditioning, couples rely more on public transportation, they perform more services for themselves, and they make greater use of free recreation facilities.

By contrast, the higher budget assumes the largest proportion of homeowners, provides new cars for some couples, allows more household appliances and equipment, and more paid services than at the intermediate level.

Also, a majority of the items common to the three budgets are in greater quantity and of better quality at each higher level of living.

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[1] Adapted from: Release, No. SF BLS 9-88, U.S. Dept. of Labor, Bureau of Labor Statistics, Washington, D.C., October 23, 1969.

[2] Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, and Washington.

Total budget costs in urban United States in spring 1967 averaged $2,671 at the lower level, $3,857 at the intermediate, and $6,039 at the higher.

Consumption items—food, housing, transportation, clothing, personal care, medical care, and other family consumption in the lower budget cost $2,556. In addition, an allowance for gifts and contributions amounted to $115.

The intermediate budget required $3,626 for consumption items plus $231 for gifts and contributions, while the higher budget needed $5,335 for goods and services and $398 for gifts and contributions. Additional allowances are made in the high budget of $71 for life insurance premiums and $235 for personal taxes.

Food

Total food costs at spring 1967 prices averaged $789 for the lower budget, $1,048 for the intermediate, and $1,285 for the higher.

Of total food costs in the lower budget, $735 was for food at home. Compared with the two higher budgets, the lower food allowance calls for larger quantities of potatoes, dry beans and peas, flour and cereal, and smaller quantities of meat, and poultry and fish.

The family also has an allowance of $54 which permits them to enjoy a restaurant meal about once a month.

In the intermediate budget, food for home consumption cost $937 and restaurant meals and snacks $111. At the top level the couples required $1,115 for food consumed at home, and $170 for meals outside the home.

Housing

Urban U.S. housing costs ranged from $939 in the lower budget to $2,066 in the higher level. The middle group housing costs amounted to $1,330.

Shelter—the major expense in the housing total—required an average annual outlay of $704 for the lowest budget, $849 for the intermediate, and $1,188 for the higher level. These amounts are based on the average costs for rented and owned dwellings.

Rental housing which had two or three rooms was specified for 40 percent of the couples at the lower level, 35 percent of the middle level, and 30 percent of the higher level couples. The renter's cost included rent plus estimated costs of fuel and utilities, where these were not part of the rent, and insurance on household effects.

The majority of the families at all budget levels lived in 5- or 6-room mortgage-free homes. Typical homeowner costs for these couples include taxes, insurance, fuel and utilities, and routine repair and maintenance charges. The higher budget provides for greater utility usage and a larger repair and maintenance allowance than the intermediate and lower budgets.

Transportation

Transportation costs stepped up from $191 at the lower budget level to $382 for the intermediate, and $682 for the higher. These allowances provide for ownership and operation of an automobile for some of the couples at each budget level—except for lower budget families in Boston, Chicago, New York, and Philadelphia who rely on public transit.

The budget level and city size determined whether couples owned an automobile and how much they patronized public transit. In the lower budget it was assumed that car owners bought 6-year-old cars; intermediate group owners bought 2-year-old cars as did 45 percent of the higher budget families. For the remaining 55 percent of the higher budget couples, the purchase of a new car was specified.

Clothing and Personal Care

Clothing costs—replacement of the clothing, and materials and services—averaged $134 for the lower budget couple. The intermediate budget couple needed $234 and the higher $371, at spring 1967 prices.

The clothing allowances for husband and wife were about the same in the lower and intermediate budgets. At the higher level, however, the wife's allowance averaged about $20 more than the husband's.

Personal care costs moved from $83 for the lower budget to $123 for the intermediate, and to $178 for the higher budget. These costs constituted about 3 percent of the total family consumption for the three budgets.

Medical Care

The lower budget couple required $294 to cover its total medical costs for a year. This was only $2 less than the intermediate budget couple's $296, and $5 less than the top level cost of $229. Although there is only a $5 difference between the lower and the higher allowances, in the lower budget medical costs accounted for 12 percent of total family consumption, compared with only 6 percent of family consumption for the higher budget.

The medical care costs include hospital and medical insurance provided by the Federal Medicare program. Also included in the costs are eye examinations and eyeglasses, drugs, and a physical checkup for Medicare enrollees not using Medicare services within a year.

Other Consumption

In the lower budget, "other consumption"—reading, recreation, tobacco, alcohol, and miscellaneous expenses—cost $126. For these same items, the intermediate budget required $213 while the higher budget totaled $454.

At the lower level, the largest single cost in "other consumption" was reading ($46), while at the intermediate and higher levels, costs for recreation—$81 and $256, respectively—accounted for the largest portions of the item.

Tobacco—cigars or pipes—and alcohol allowances are part of "other consumption" costs. No allowance was made for cigarettes in view of the findings of the U.S. Public Health Service concerning the effects of cigarette smoking on health.

Living Cost Differences Among Cities

All indexes relate to costs for families established in the areas. They do not measure differences in costs associated with moving from one area to another, or costs incurred by recent arrivals in the community.

Within each budget, the intercity indexes reflect differences among areas in price levels, climatic or regional differences in the quantities and types of items required to provide the specified level of living, and differences in State and local taxes.

APPENDIX C. THREE STANDARDS OF LIVING FOR AN URBAN FAMILY OF FOUR PERSONS[1]

How much does it cost to live? Individual answers will differ, depending on the family's size, manner of living and place of residence, but a new Labor Department study gives benchmarks for a carefully defined family of four in different financial circumstances in 39 areas.

The study—*Three Standards of Living for an Urban Family of Four Persons, Spring 1967*—marks the first time the Bureau of Labor Statistics has developed lists of goods and services and cost estimates at three levels: a moderate or intermediate level and levels lower and higher. All three budgets share the basic assumption that maintenance of health and social well-being, the nurture of children, and participation in community activities are desirable and necessary social goals.

For the moderate budget, the U.S. urban average cost was $9,076 in spring 1967. The cost for the lower budget was $5,915—35 percent less than the moderate. The higher budget amounted to $13,050—44 percent above the moderate budget. These figures include costs of consumption—food, housing, transportation, clothing and personal care, medical care, gifts, education and recreation—as well as other expenses, including life insurance, occupational expenses, Social Security payments, and personal taxes. Consumption costs account for 82 percent of the total budget at the lower level, 79 percent at the moderate level, and 76 percent at the higher level. (Updated consumption costs, reflecting price changes since the survey date, are shown on page 67.)

The budgets have been developed to meet the needs of public assistance agencies, voluntary social and welfare agencies, businesses, labor unions, colleges and universities. Users' needs vary widely: some want a measuring rod for public assistance payments; some need a basis for establishing a scale of fees for services rendered; some want guidelines for ascertaining the financial need for scholarships; some want to know just how the "cost of living" varies from place to place.

Social scientists find the budgets useful for evaluating the adequacy of family income, determining the relative economic well-being of different population groups, measuring geographic differences in living costs, and documenting changes in living standards over time.

The budgets prepared by BLS provide benchmarks from which users can make adjustments to relate the information to their specific situations. For example, a welfare administrator may want to adjust the budget to reflect the client family's size and characteristics, the free services provided, and the absence of expenses that go along with holding a job. A private social service agency may want to establish the "fair share" of a family's income that should be devoted to helping, say, an aged and infirm relative without placing an undue burden on the family itself.

ESTIMATING METHODS

The content of the budgets is based on the manner of living and consumer choices in the 1960's. Two kinds of data were used to derive the list of goods and services.

First, nutritional and health standards, as determined by scientists and technicians, were used for the food-at-home and the housing components. The nutritional standards for

[1] Adapted from: Release, No. USDL—10-296, U.S. Dept. of Labor, Bureau of Labor Statistics, Washington, D.C., March 17, 1969.

food are those developed by the National Research Council of the National Academy of Sciences. The housing standards are those established by the American Public Health Association and the U.S. Public Housing Administration. The selection among the various kinds of food and housing arrangements meeting the standards was based on actual choices made by families as revealed by surveys of consumer expenditures.

Second, where scientific standards have not been formulated, analyses of the data reported in the Bureau's Survey of Consumer Expenditures and related consumption studies were used to determine the specific items, and the quantities and qualities thereof.

These analytical procedures result in basing some parts of the budgets upon the collective judgment of consumers rather than upon scientific standards. Some exercise of the budget-maker's own judgment is involved in the construction of these budgets. However, such judgment has been confined to the specification of the manner of living for each budget level, and selection of the basic data and determination of the procedures to be followed in deriving the items and quantities. The procedures used to derive the various levels are described in detail in Chapter V of BLS Bulletin 1570-5. The concepts, procedures, and pricing lists for the moderate standard are described in detail in BLS Bulletin 1570-1 and 1570-3.

ASSUMPTIONS AND LIMITATIONS

Users should keep in mind that the budget-type family is very carefully defined. It consists of a 38-year-old husband, employed full time, a wife not employed outside the household, a boy of 13, and a girl of 8. The family group has average inventories of clothing, home furnishings, major durables, and other equipment. At this middle stage in the life cycle—after about 15 years of married life—the family is well established, and the husband generally an experienced worker.

Users must look beyond the dollars in which the budgets are summed up. For a budget of this type rests on—and must be defined in terms of—the goods and services selected to represent the specified level of living and the procedures used to derive that list.

To enable researchers to prepare comparable estimates for areas not covered by BLS, the budget studies describe in detail the sources of data and estimating methods, list the average annual quantities of items which were used to determine the costs of the three specified levels of living and describe the specifications used in collecting the prices.

While all three budgets provide for a sense of self-respect and social participation, the manner of living differs.

The study points out that the manner of living in the lower budget differs from that in the moderate and higher family budgets primarily in the specifications that the family lives in rental housing (without air conditioning); performs more services for itself; and utilizes free recreation facilities in the community. The manner in the higher budget, on the other hand, specifies a higher level of homeownership, compared with the moderate; an ample automobile allowance; more complete inventories of household appliances and equipment; and more extensive use of services for a fee. Inevitably, higher taxes go along with the income that permits the higher consumption level.

CONSUMPTION COSTS

Family living expenses—including such items as food, housing, clothing, transportation, personal care, medical care, and recreation, but excluding occupational expenses, personal taxes, Social Security and disability payments, gifts and contributions, and life insurance—required an average annual outlay of $4,862 for the lower budget (See Table 1.).

Consumption costs for the moderate budget came to $7,221, 49 percent higher than the lower one. The living costs for the higher budget amounted to $9,963, 105 percent above the lower budget. Although there are only minor variations in the quantities of items consumed at each budget, the qualities of goods and services differ significantly.

TABLE 1.—CHANGES IN CONSUMPTION COSTS

	Lower budget	
	Spring 1967	Autumn 1968
Food	$1,644	$1,744
Housing	1,303	1,356
Transportation	446	468
Clothing and personal care	700	758
Medical care	474	517
Other family consumption	295	311
Total family consumption	4,862	5,154

	Moderate budget	
	Spring 1967	Autumn 1968
Food	$2,105	$2,235
Housing	2,230	2,311
Transportation	872	912
Clothing and personal care	985	1,069
Medical care	477	520
Other family consumption	552	582
Total family consumption	7,221	7,629

	Higher budget	
	Spring 1967	Autumn 1968
Food	$2,586	$2,747
Housing	3,340	3,471
Transportation	1,127	1,179
Clothing and personal care	1,446	1,572
Medical care	497	542
Other family consumption	967	1,022
Total family consumption	9,963	10,533

The lower the budget, the larger the proportion of costs devoted to the necessities of life. The study shows that:

> In the lower budget, maintenance of the family's physical health required a third of the cost of family consumption for the purchase of a nutritionally adequate diet, and an additional 10 percent for medical care, including a family membership in a group hospital and surgical insurance plan.
>
> In the moderate standard, adequate food and medical care require only 29 and 7 percent, respectively, of total family consumption.
>
> At the higher standard, food accounts for only about a fourth, and medical care just 5 percent of the total, even though in addition to meeting requirements for health, this standard permits greater choice and variety in diet and includes broader health insurance coverage.

The study also illustrates how differences in family size affect the budget levels. A young couple without children, for example, would need less for living expenses—$2,380; $3,540; and $4,880, respectively, to maintain equivalent levels of living. On the other hand, a family with three schoolage children would need $5,640; $8,380; and $11,550 for consumption goods and services for these three budget levels.

Food

U.S. urban costs for food averaged $1,644, $2,105 and $2,586 in the lower, moderate, and higher budgets, respectively, at spring 1967 prices. Food away from home—lunches at school and work, restaurant dinners, and snacks—amounted to 18 percent of the total food cost in the higher budget, 16 percent in the moderate, and 13 percent in the lower.

Housing

U.S. urban average housing costs amounted to $1,303 in the lower budget and $3,340 at the higher. Compared to the moderate budget's $2,230, the lower budget's housing allowance is 40 percent less, and that of the higher budget is 50 percent above.

Shelter, including heat and utilities—the major expense in the housing total—required an average annual outlay of $1,013 in the lower budget, where the manner of living was limited to rental housing, and $1,745 and $2,308 in the moderate and higher budgets respectively, where the amounts are weighted average costs for renter and homeowner families. The housing total in the higher budget also includes an allowance for occasional stays at hotels and motels.

Housing accounts for one-fourth of the total consumption costs of the lower standard, one-third of the higher standard. While the dwelling specified in the budget still is adequate in space, condition, and plumbing facilities, the higher budget provides many extra facilities.

> The lower budget assumes that the family lives in a rental unit, while at the moderate and higher levels the costs reflect the more typical manner of living for families of this type, in which the majority are making mortgage payments on homes they purchased about 7 years ago, the study explains.

Transportation

The cost of transportation in urban areas averaged $446 in the lower budget and $1,127 in the higher. Costs in the lower budget were about 50 percent less, and those in the higher budget were 30 percent over the moderate budget.

The differences result largely from the proportions of automobile ownership specified for each budget. For example, in the lower budget, one-half the families in the Boston, Chicago, New York and Philadelphia metropolitan areas were assumed to own automobiles, whereas in the moderate and higher budgets for these cities auto ownership was specified for 80 and 100 percent of the families, respectively.

Transportation costs for automobile owners in the moderate budget averaged $919. This amount included the replacement of an automobile every four years with a 2-year old used car, operating expenses, insurance, and some public transportation. Costs for auto owners in the lower and higher budgets were one-third below and one-fourth above the cost of the moderate budget.

Compared to the moderate, the lower budget car owner allowance—$607—includes a smaller mileage allowance for an 8-year old car, fewer repairs—since only the most essential repairs are usually made on cars of this age—no comprehensive insurance, lower personal property tax, and no out-of-town travel on planes, trains, or other public vehicles.

Higher costs—$1,127—to car owners in the higher budget result from the specification that 60 percent of the families are new car buyers, while the remaining 40 percent buy the same car (2-year-old used) as the one provided in the moderate budget. Also, the insurance coverage has been increased, and more out-of-town travel is provided.

Public transportation for families without automobiles averaged $107 in the lower budget, or almost one-third below the $152 cost of the moderate budget. This difference is attributed to an out-of-town travel allowance in the moderate budget which was not included in the lower budget.

Clothing and Personal Care

Total clothing costs, including materials and services, averaged $767, $538, and $1,139 in the moderate, lower, and higher budgets.

Men's clothing cost more than women's in the lower budget, but the relationship was reversed in the moderate and higher budgets, similar to the pattern in actual expenditures for members of budget-type families.

Clothing for the boy—at the beginning of his teen years—was relatively more costly in the three budgets than were the replacement needs for a younger age girl. However, the differential decreased from 29 percent in the lower, to 10 and 6 percent in the moderate and higher budgets, respectively.

Personal care constituted just about 3 percent of total family consumption at the three budget levels, but costs averaged $162 in the lower and $307 in the higher budgets. Personal care services represented 38 percent of this component at the lower budget, and 48 and 52 percent at moderate and higher levels respectively, primarily because of increases in the allowances for beauty shop services for the wife.

Medical Care

U.S. urban costs of total medical care were almost identical in the lower and moderate budgets, averaging $474 and $477 respectively, since basically the same allowances were used for both budgets.

In actual practice, expenditures for medical care are lower at lower income levels, since many low income families either defer needed treatment or receive it in free clinics. However, as a desirable goal for a self-supporting family, it was considered essential to specify group hospital and surgical insurance coverage for both the lower and moderate budgets.

The higher budget included a major medical insurance policy, supplementing the hospital-surgical coverage, and raising the average U.S. urban insurance cost from $226 to $262.

If all families had paid the full cost of their health insurance, it would have increased the total cost of medical care in the three budgets by about 30 percent. However, employers contribute some or all of the cost of group health insurance in the majority of cases, and therefore, in calculating total medical care costs for the budgets, the insurance costs were weighted to reflect the estimated proportions of families who paid all, part, or none of their insurance premiums. On this basis, the weighted insurance costs constitute 20 to 23 percent of the medical component.

Although the difference in medical care costs averaged only about $25 between the lower and higher budgets, at the lower level, medical care represented about 10 percent of family consumption. For families at the moderate and higher levels, only 7 and 5 percent, respectively, of total consumption was used for this purpose.

Other Consumption Costs

Allowances for reading and education in the lower budget accounted for about one-third of the $295 allocated to "other consumption" costs which also include costs for recreation, tobacco, alcoholic beverages, and miscellaneous items. Reading and education took about one-sixth of the "other consumption" total of $967 in the higher budget. Recreation accounted for barely one-third of "other consumption" in the lower budget, but almost half in the moderate, and more than half in the higher budget.

Allowances in the lower budget assume that families would meet some of their recreational needs by utilizing library and museum facilities, and by taking advantage of community or group-sponsored social and cultural activities and sporting events for which there was no fee.

Allowances for alcohol and tobacco—cigars or pipes—are also included as part of other consumption costs in all three budgets, in accord with prevailing practices in this country. An allowance for cigarettes was eliminated, however, in view of the findings of the U.S. Public Health Service concerning the effects of cigarette smoking on health. Annual costs for alcohol and tobacco, exclusive of cigarettes, averaged $73 in the lower budget, $87 in the moderate, and $116 in the higher budget.

Budgets and Rising Prices

Rising retail prices since spring 1967 have increased the consumption costs for all three budgets. A rough approximation of the fall 1968 costs of family consumption in the three budgets has been calculated (See Table 1.), using price changes as reported in the Consumer Price Index for appropriate classes of goods and services. Between spring 1967 and autumn 1968, the Consumer Price Index increased 6.6 percent; the cost of family consumption increased 6.0 percent in the lower budget, and 5.7 percent in both the moderate and higher budgets.

Living Cost Differences Among Cities

For the first time, area measures are available to determine the range in living costs at moderate, lower, and higher levels of living.

All indexes relate to costs for families established in the areas. They do not measure differences in costs associated with moving from one area to another, or costs for recent in-migrants.

Within each budget, the intercity indexes reflect not only differences among areas in price levels but also climatic or regional differences in the quantities and types of items required to provide the specified level of living, and differences in State and local taxes. Thus, they are comparative living costs indexes and not comparative price indexes.

The range in total budget costs is narrower at a lower level of living, and widens as the level rises. Costs were lowest in the small cities in the South for all three budgets. Metropolitan areas in the West were the most expensive for the lower budget, but this rank shifted to large cities in the Northeast for moderate and higher levels of living.

The annual total for the lower budget in spring 1967 amounted to $5,224 in nonmetropolitan areas in the South and $7,246 in Honolulu. With U.S. urban average costs equaling 100, this constitutes a range from 88 to 122, or 34 percentage points. Among mainland areas, costs of the lower budget were highest in San Francisco, averaging $6,571 or 23 percentage points above the Southern regional average for small cities.

In the moderate and higher budgets, New York was the most expensive mainland area, averaging $9,977 and $14,868 at these levels, amounting to 24 and 30 percentage points respectively above the costs of comparable budgets in smaller places in the South.

APPENDIX D. REVISED EQUIVALENCE SCALE: FOR ESTIMATING INCOME AND BUDGET COSTS BY FAMILY TYPE[1]

The attached equivalence scale has been prepared for use in estimating family consumption costs for families differing in size and composition from the specific 4-person city worker's family for which the City Worker's Family Budget was constructed. It rests on the assumption that families spending the same proportion of income on food have attained equal levels of living. In the new scale, information from the Bureau's Survey of Consumer Expenditures, 1960-61, replaced similar 1950 data used in developing the previous scale. Assumptions, calculations, and techniques were essentially the same for both scales. (See "Estimating Equivalent Incomes or Budget Costs by Family Type," *Monthly Labor Review,* November 1960, Reprint No. 2357.)

Special tabulations from reports of urban families cooperating in the 1960-61 survey were used in calculating the revised scale. These tabulations provided average income after taxes and average food expenditures per family for a three-way classification of families by: (1) family size, (2) family type, and (3) age of the family head.

In using the scale for estimating budget costs, or spendable income, for different types of families from the costs for the City Worker's Family Budget for a Moderate Living Standard, Autumn 1966, the scales should be applied to the budget costs of family consumption, i.e., costs for goods and services. Federal, State, and local income taxes, Social Security deductions, life insurance, etc., vary by family size, age, and level of income, and therefore must be calculated separately to estimate total budget costs.

The estimates of living costs for selected family types shown below were obtained by applying the equivalence scale values in the accompanying table to the cost of consumption for the 4-person family as reported in the City Worker's Family Budget.

Type of family	Size of family			
	2-persons	3-persons	4-persons	5-persons
Husband (age 35-54) and wife	$4,397	--	--	--
Oldest child under 6 years	--	$5,057	$5,863	$7,109
Oldest child 6-15 years	--	6,010	7,329[2]	8,502
Oldest child 16-17 years	--	6,083	8,282	9,381

[1]U.S. Dept. of Labor, Bureau of Labor Statistics, Washington, D.C. Derived from BLS Survey of Consumer Expenditures in 1960-61. Derivation of the scale is described in *Revised Equivalence Scale: For Estimating Equivalent Incomes or Budget Costs by Family Type,* BLS Bulletin 1570-2.

[2]Cost of goods and services for the 4-person family described in *City Worker's Family Budget for a Moderate Standard of Living, Autumn 1966,* BLS Bulletin No. 1570-1.

REVISED EQUIVALENCE SCALE[3] FOR URBAN FAMILIES OF DIFFERENT SIZE, AGE, AND COMPOSITION

[4-person family—husband, age 35-54; wife; 2 children, older 6-15 = 100]

Size and type of family	Age of head			
	Under 35	35-54	55-64	65 or over
One person	35	36	32	28
Two persons:				
Husband and wife	49	60	59	51
One parent and child	40	57	60	58
Three persons:				
Husband, wife, child under 6	62	69	--	--
Husband, wife, child 6-15	62	82	88	81
Husband, wife, child 16-17	--	83	88	--
Husband, wife, child 18 or over	--	82	85	77
One parent, 2 children	67	76	82	75
Four persons:				
Husband, wife, 2 children, (oldest under 6)	72	80	--	--
Husband, wife, 2 children, (oldest 6-15)	77	100	105	95
Husband, wife, 2 children, (oldest 16-17)	--	113	125	--
Husband, wife, 2 children, (oldest 18 or over)	--	96	110	89
One parent, 3 children	88	96	--	--
Five persons:				
Husband, wife, 3 children, (oldest under 6)	87	97	--	--
Husband, wife, 3 children, (oldest 6-15)	96	116	120	--
Husband, wife, 3 children, (oldest 16-17)	--	128	138	--
Husband, wife, 3 children, (oldest 18 or over)	--	119	124	--
One parent, 4 children	108	117	--	--
Six persons or more:				
Husband, wife, 4 children or more, (oldest under 6)	101	--	--	--
Husband, wife, 4 children or more, (oldest 6-15)	110	132	140	--
Husband, wife, 4 children or more, (oldest 16-17)	--	146	--	--
Husband, wife, 4 children or more, (oldest 18 or over)	--	149	--	--
One parent, 5 children or more	125	137	--	--

[3]The scale values shown in this table are the percentages of the spendable income of the base family (4 persons—husband, age 35-54, wife, 2 children, older 6-15 years) required to provide the same level of living for urban families of different size, age, and composition.

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