

Old age - Housing and care

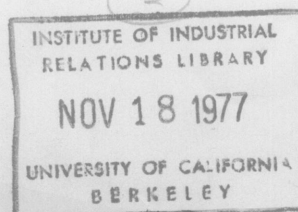
INCOME AND ASSETS OF THE ELDERLY AND THEIR
IMPLICATIONS FOR HOUSING PROGRAMS

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INTRODUCTION: SOME BASIC CONCEPTUAL PROBLEMS

Income Maintenance Programs and the Income Position of Elderly People

At the beginning of the present century, elderly persons who were incapable of supporting themselves typically had to choose between living with relatives in a state of dependency or, lacking that possibility, entering a poor house or charitable institution. Old-age or retirement pensions were largely in the future.¹

Over the decades, and particularly during the period since the enactment of the Social Security Act of 1935, a marked change has occurred in the economic position of the aged. Nearly everyone approaching retirement age today can look forward to social security benefits or other public retirement benefits, and in many cases these will be supplemented by income from a private pension plan. Needy aged persons in the 65 and older bracket can, in most cases, qualify for old-age assistance payments.

These developments have brought about a marked change in the income status of older people. Unfortunately, the lack of adequate statistical data precludes an attempt to analyze with any degree of precision the changes occurring prior to the late 1940's.² Since then, the money income

¹ Retirees of a few large companies, chiefly railroads, were receiving pensions, while a few retired government employees--chiefly teachers, firemen, and policemen--were eligible for pensions. Elderly veterans or their widows were also eligible for modest pensions.

² The numerous special studies of old-age dependency that were conducted during the early decades of the present century applied to limited groups and utilized concepts so different from those now employed in income studies that they are virtually useless for comparative purposes. The 1940 Census collected data on wage and salary income, but since income from sources other than earnings is relatively more important for the elderly than for any other group in the adult population, these data are of limited

of persons aged 65 and older has, on the average, increased substantially, although a large proportion continue to have incomes that are seriously inadequate in relation to their budgetary needs. One of the most significant changes has been a sharp decline in the proportion of elderly persons reporting no income. This change has affected elderly widows particularly, since it was chiefly in this segment of the aged population that persons with no income figured prominently a decade or so ago.

However, the aged population has been particularly hard hit by the increase in consumer prices during this period, since the most pronounced increases have occurred in the costs of items that are particularly important in the budgets of elderly couples and individuals, especially housing and medical care. Existing data, as we shall see at a later point, suggest that the real income status of elderly families and individuals in urban areas may actually have deteriorated in the last decade or so.

The Effects on the Housing Market

Despite the absence of evidence that the real incomes of elderly families and individuals have increased, at least in urban areas, there is little doubt that the aged are becoming a more significant factor in the housing market than ever before and that this change is likely to continue. The fact that a steadily rising proportion of the aged population is receiving some type of retirement income has encouraged an increasing percentage of elderly couples and individuals to maintain, or at least aspire to maintain, independent housing arrangements to an advanced age. Furthermore, the sheer increase in the size of the older population has

value for analysis of the income status of the aged. For further discussion of these problems, see my chapter on "Aging and Income Security," in C. Tibbitts, editor, Handbook of Social Gerontology: Societal Aspects of Aging (Chicago: University of Chicago Press, 1960).

meant that they have become a more important factor in the housing market, quite apart from any change in their income status.

Meanwhile, the housing market is increasingly affected, not merely by the decisions of elderly couples and individuals with respect to their living arrangements, but also by various types of public and private programs affecting the housing and institutional facilities available to the elderly. With the increasing interest of society in problems of aging, the Federal Government and some of the state governments have developed special housing programs for the elderly, as have certain local governments and a number of private organizations.

Income status and retirement status. The development of public and private retirement programs, along with other factors, has had a decided effect on the retirement status as well as on the income status of elderly people. Only about a third of the men aged 65 and over are in the labor force today, as compared with 63 per cent at the beginning of the present century.³ The decline has been interrupted only in time of war and has occurred at an accelerated pace during the last decade.⁴ The percentage of elderly women in the labor force, on the other hand, has been small throughout this period, although it has increased slightly in the last decade or so and is now approximately 12 per cent.⁵

207 ³ See Gertrude Bancroft, The American Labor Force (New York: Wiley, 1958), p. 26; and Monthly Report on the Labor Force, February, 1961, U. S. Department of Labor (Washington: Government Printing Office, 1961).

⁴ For further discussion of these trends, see my chapter on "Work and Patterns of Retirement," in R. Kleemeier, editor, Aging and Leisure (forthcoming).

⁵ Monthly Report on the Labor Force, February, 1961.

Although the factors that have been responsible for the decline in the percentage of elderly men in the labor force are complex, there is little doubt that the development of public and private retirement programs has played a role. For one thing, private employers and government agencies rarely require retirement at a fixed age in the absence of a pension or retirement plan, but once a system providing retirement income has been adopted, formal retirement rules tend to be imposed, and these often provide for retirement at a fixed age.⁶ For another thing, there is increasing evidence that individuals who can look forward to an adequate retirement income are less likely to resist the idea of retirement than those whose retirement income expectations are less favorable.⁷

The increasing prevalence of retirement as a way of life is having important effects on the housing market, along with the change in income status of elderly people. It means that more and more elderly couples and individuals can exercise freedom of choice as to where they will live as well as with respect to the type of housing accommodations they prefer. They are no longer bound to live in proximity to the breadwinner's former place of employment or even, in many cases, to give any consideration to the availability of employment opportunities in their preferred area of residence. This does not mean that all, or even a sizable proportion, are likely to move to a different area. It does mean that many more are free to do so, and that any assumption that the geographical distribution

⁶ "Work and Patterns of Retirement."

⁷ Ibid., and my paper on "Income Security Programs and the Propensity to Retire," to be published in the proceedings of the Seminar in Social Gerontology, International Association of Gerontology, Berkeley, California, August, 1960.

of the aged population a decade or two from now will conform closely to its distribution today may prove to be seriously in error.

The dimensions of freedom of choice. One of the complexities facing the analyst of current and future changes in the housing market for elderly people is the fact that freedom of choice can be exercised with respect to a number of dimensions.

Elderly couples and individuals desiring to make a change in their housing accommodations are free, within the limits imposed by available income and assets, to choose between purchasing, renting, or living with relatives. They are also free to choose between single-family or multiple-family dwellings or various types of congregate living arrangements.

Furthermore, as we have already suggested, they are increasingly free to make choices between geographic areas. This is not, clearly, simply a question of whether or not they will decide to move to California or Florida or Arizona. A retired farmer may, and frequently does, decide to move to the nearest town; a suburban couple may decide to move to the nearest large city to be within close reach of entertainment and various kinds of services; or an elderly couple or widowed individual may decide to move to an area where an adult child and grandchildren are living. All these types of moves, and others, have assumed some importance in the past and may be increasingly important in the future.

Finally, especially among those aged 75 and over, as health deteriorates and the maintenance of an independent household becomes difficult, the couple or individual may have to choose between moving in with relatives or entering a nursing home or some other type of quasi-household or

institution. This choice is not as free as the earlier choices we have discussed, but, nevertheless, in many cases the decision will be made by the individuals involved without intervention by a public or private agency. And the conditions determining what type of decision will be made in such cases are changing. The development of homemaker and visiting nursing services may facilitate the maintenance of independent elderly households longer than would otherwise be possible. On the other hand, the improvement of conditions in nursing homes, and the development of boarding homes and rest homes of various types that are more attractive than most of their present-day counterparts, will probably encourage more elderly people to enter these homes. And, although the limited space available in modern dwellings has long been recognized as a factor discouraging moving in with relatives, another important factor that has been largely ignored in the literature on housing for the aged is the increasing labor force participation of mature married women. For the working woman, the decision to provide a home for an ailing parent is in some ways more difficult than for her nonworking sister, since she may be forced either to give up her job or to hire an attendant to stay with the aged parent.

The Relationship Between Age and Housing Requirements

In the literature on the housing needs of older people, there is increasing recognition of the desirability of employing a concept of the life cycle in relation to the analysis of the housing problems of married couples and individuals. Ashley and McFarland, for example, point out that it is important to focus attention on the housing requirements of families in four stages of life: (1) middle age, (2) later maturity,

(3) early old age, and late old age.⁸ Yet many statistical analyses of the income status and housing conditions of the aged have relied on data relating to the 65 and over age-group, often without further sub-classification of the elderly population with respect to age. Clearly there is a need, in all statistical analyses, for differentiating between those aged 65 to 74 and those 75 and over, and, if possible, employing even finer age breakdowns.

Furthermore, we need to pay a great deal more attention, in future research, to the changes in housing arrangements that occur before age 65, and more particularly from about age 55 on. A sizable proportion of Federal Government employees take advantage of early retirement provisions, as do significant percentages of persons in private employment.⁹ Yet we know very little about what happens to these people afterward. How many shift into other employment, and how many retire permanently, perhaps moving to a warmer climate? Furthermore, quite apart from early retirement, we know very little about the changes in housing arrangements made by couples and individuals in their fifties and early sixties. How many take advantage of the relatively favorable income and asset position that characterizes this age group to effect a change in housing arrangements, in anticipation of retirement, that might be more difficult later on? And if only a small proportion makes such changes, what are the considerations inhibiting others from doing so?

⁸ E. E. Ashley and M. C. McFarland, "Toward a Better Understanding of How Best to Meet the Housing Needs of the Elderly: The Need for Research," paper presented at Fifth International Gerontological Congress, San Francisco, California, August 9, 1960.

⁹ See my "Work and Patterns of Retirement."

There is little doubt that the federal and state governments, in their housing programs for elderly people, are likely to continue restricting the benefits of the programs to those who are in the retirement age brackets, and for good reasons. However, it is probable that significant numbers of couples and individuals in their late fifties and early sixties are seeking living accommodations, through the private housing market, that are similar to those desired by many in the 65 and older bracket. This may well be even more true in the future than it is at present.

Finally, the trend toward increasing home ownership among younger adults will affect the income and housing status of the aged in the future, along with changes in the propensity to save, in the proportion covered by private pension plans, and in many other factors. In fact, the relevance of applying a life-cycle concept in connection with estimates of the future income, asset, and housing status of elderly people scarcely requires further elaboration.

THE CURRENT INCOME STATUS OF THE AGED

The Inadequacy of Existing Income Data

It is impossible to determine, with any degree of precision, what proportion of elderly couples and individuals have incomes that are inadequate for their needs at the present time. The only study that ever attempted such an appraisal for a nationwide sample of the aged population

is based on income data that are now ten years old.¹⁰ Meanwhile, profound changes have occurred in the incomes received by elderly people, in their living costs, and in the relative importance of the various sources from which their incomes are received.

Steiner and Dorfman showed, on the basis of a nationwide follow-up survey conducted by the U. S. Bureau of the Census in 1952, that a large proportion of aged couples and individuals had incomes during the year 1951 that were too low for a "modest, but adequate" level of living--specifically, 39-44 per cent of the couples, 47-50 per cent of the unmarried men, and 65-69 per cent of the unmarried women.¹¹ Furthermore, sizable proportions could not afford even a subsistence level of living. As the percentages indicate, poverty was most prevalent among the elderly unmarried women, somewhat less prevalent among the unmarried men, and least prevalent among the couples. The study also provided a wealth of detail on the labor force status of the elderly, on the sources of their incomes and the extent of their asset holdings, and on their living arrangements. Among other things, it provided data which strongly suggested that, where elderly couples or individuals were living with their adult children, the lack of enough income to maintain an independent household appeared to be the chief explanation.¹²

¹⁰ P. O. Steiner and R. Dorfman, The Economic Status of the Aged (Berkeley and Los Angeles: University of California Press, 1957).

¹¹ Ibid., p. 80. The figures cited in the text refer to the percentages whose total annual receipts were below the "cash equivalent standard budget," which allowed for income in kind received because of home ownership or food produced at home or on the farm. Unmarried men (or unrelated males, as the authors called them) were men who were widowed, divorced, separated, or single and thus had no spouse; similarly for unmarried women.

¹² Ibid., pp. 20-23.

To what extent has the income status of the elderly improved, if at all, since the Steiner-Dorfman study was conducted? The difficulties that stand in the way of any attempt to answer this question are manifold. Although it is clear that money incomes of elderly people have, on the average, increased since 1951, there is evidence that the real income status of the elderly may not have improved greatly, at least in urban areas. Existing data permit only the roughest type of guess as to what has happened to the real income position of the aged.

When the income data from the 1960 Census become available, it will be possible to undertake a detailed analysis of the money income status of the elderly. In the meantime, we must rely, to a large extent, on the income data collected annually through the Current Population Survey of the U. S. Bureau of the Census. However, these data are not published in a form that is ideally suited to analysis of the income status of the aged and, in addition, are not available in sufficient detail. The personal income data are somewhat unsatisfactory, since they shed no light on how many elderly men and women who are represented as individuals in the tables actually pool their incomes as married couples. According to Epstein, these income data for individuals do "yield a remarkably good approximation to the actual situation with regard to the size of the low-income population."¹³ Although this may be true for purposes of roughly estimating the size of the low-income population, the data are difficult to interpret in relation to the budgetary needs of the elderly.

¹³ Lenore A. Epstein, "Some Problems in Measuring the Economic Status of the Aged in the United States," paper presented at the Fifth International Congress of Gerontology, San Francisco, California, August, 1960.

The data on incomes of families and unrelated individuals are also not entirely satisfactory, since, in the tables in which families are classified according to the age of the household head, no light is shed on the incomes of elderly couples or individuals who are living with relatives and are not classified as household heads. In some cases, moreover, the classification of an elderly individual as a household head is 'honorific' and has no economic significance. For adequate analysis of the income status of the elderly, we need data in which the entire aged population is classified, as in the Steiner-Dorfman study, into three types of economic units--couples, unmarried men, and unmarried women.

Personal income data from the Current Population Survey indicate that, between 1951 and 1959, the proportion of men aged 65 and over who reported no income fell from 11.1 to 3.2 per cent, while the percentage of elderly women reporting no income dropped from 44.9 to 24.9 per cent. Meanwhile, the median income of elderly men who reported some income rose from \$1,008 to \$1,576, or 56.3 per cent, as compared with an increase from \$2,952 to \$3,996, or 35.4 per cent, for men of all ages. Elderly women experienced a less sharp increase than elderly men, but fared even better during this period in relation to the general female population. Median income for women aged 65 and over reporting some income rose from \$536 to \$797, or 48.7 per cent, whereas for women of all ages the median rose from \$1,045 to \$1,222, or only 16.9 per cent.¹⁴

¹⁴ Current Population Reports: Consumer Income, U. S. Bureau of the Census, Series P-60, Nos. 11 and 35 (Washington, D. C.: Government Printing Office, 1953 and 1961).

The data for families provide a somewhat different picture. The median income of families headed by an individual aged 65 and over rose from \$1,956 in 1951 to \$2,831 in 1959, or 44.7 per cent, while the median income of all families rose from \$3,709 to \$5,417, or 46.4 per cent. In the case of unrelated individuals, the median income of those aged 65 and over rose from \$635 to \$1,006, or 58.4 per cent, while for the population of unrelated individuals of all ages, median income rose only from \$1,195 to \$1,556, or 30.2 per cent.¹⁵

Thus, during this period, aged persons and unrelated individuals experienced a relatively large increase in money income in comparison with persons and unrelated individuals in the general population, but families headed by a person aged 65 and over did not do quite as well as all families. Part of the explanation of this apparently inconsistent set of relationships is almost certainly to be found in the fact that the proportion of elderly couples who were maintaining their own households had increased, that the change had occurred chiefly among those with comparatively low incomes, and that this "undoubling" of households had held down the rate of increase in median income for families headed by an elderly individual. Certain other data relating to household characteristics also suggest that this type of change has been occurring.¹⁶

¹⁵ 1951 data on income of families and individuals are from Current Population Reports: Consumer Income, U. S. Bureau of the Census, Series P-60, No. 12 (Washington, D. C.: Government Printing Office, 1953). For 1959, family income data and personal income data are both included in ibid., Series P-60, No. 35.

¹⁶ Cf. my "Aging and Income Security," p. 210. Epstein also cites data indicating that the proportion of non-married aged persons sharing a home with relatives fell from 33 per cent to 24 per cent between 1950 and 1959 (op. cit.).

Compare with Winnick data.

However, elderly families living in rural areas experienced a considerably more marked increase in income, on the average, than those in urban areas. Between 1951 and 1959, the increase in median income for families headed by an individual aged 65 and over amounted to 26.9 per cent in urban areas, 67.8 per cent in rural non-farm areas, and 61.8 per cent in rural farm areas. Unrelated individuals in urban areas, however, experienced an increase of 59.9 per cent in median income, while those in rural non-farm areas experienced an increase of 78.2 per cent. Data on median income of elderly unrelated individuals in rural areas are not available.

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The relatively modest increase in median income of urban elderly families is highly significant, since budgetary data for elderly couples living in rented quarters in large cities suggest that, at least for this group, living costs may have risen appreciably more than income, as we shall see in the next section.

Apart from the income data collected in the Current Population Survey, there are several other important sources of information on the income status of the elderly. The U. S. Bureau of Old-Age, Survivors and Disability Insurance has conducted, from time to time (most recently in 1957), valuable sample surveys providing information on the income status of OASDI beneficiaries. These data have been tabulated for couples and various categories of elderly individuals without a spouse, but the published tables are of limited usefulness in appraising the real income status of the aged, since they have not included breakdowns by urban-rural

residence.¹⁷ Data based on the annual Consumer Finances Survey conducted by the Survey Research Center of the University of Michigan for the Board of Governors of the Federal Reserve System, also present the same difficulty and, in addition, shed no light on the income position of elderly couples or individuals who are living with relatives and are not classified as heads of spending units.¹⁸ Nevertheless, valuable information on the income and asset position of spending units headed by elderly persons is provided by these surveys.¹⁹

Data on Budgetary Requirements

Measuring the adequacy of total income. There is ample evidence that the budgetary requirements of elderly couples and individuals differ in a number of ways from those of younger families and individuals.²⁰ For this reason, specialized budgets must be used in appraising the adequacy of money incomes received by the elderly. Ideally, we should have access to budgets for home-owning and home-renting couples and individuals (differ-

¹⁷ See Selected Findings of the National Survey of Old-Age and Survivors Insurance beneficiaries, 1951, More Selected Findings of the National Survey of Old-Age and Survivors Insurance Beneficiaries, 1951, National Survey of Old-Age and Survivors Insurance Beneficiaries, 1957: Highlights from the Preliminary Tabulations--Income, U. S. Bureau of Old-Age and Survivors Insurance (Washington, D. C.: Government Printing Office, 1953, 1954, and 1958).

¹⁸ See Federal Reserve Bulletin, seriatim, for reports on the results of the Consumer Finances Survey.

¹⁹ Special sample surveys also provide useful data in some instances. One of the most valuable of such surveys in recent years has been the study of the health needs of the aged, undertaken by the National Opinion Research Center for the Health Information Foundation. See Ethel Shanas, Financial Resources of the Aging, Health Information Foundation, Research Series 10 (New York: Health Information Foundation, 1959).

²⁰ For a discussion of the differences, see my "Aging and Income Security," pp. 216-220.

entiated by sex) in urban and rural communities of various sizes and in various parts of the country. The budgets should also distinguish between the needs of retired and non-retired individuals and couples. Actually, we have adequate budgetary data only for a retired elderly couple living in rented quarters in large cities, plus some relatively recent data on consumption expenditures of farm families with elderly heads.

The elderly couple's budget, as revised on an interim basis by the U. S. Bureau of Labor Statistics, indicates that the annual budgetary requirements of an elderly couple living in rented quarters varied, among 20 large cities in August 1959, from \$2,641 in Houston to \$3,366 in Chicago.²¹

Unfortunately, this information cannot be directly related to income data for the elderly, since none of the available published data presents information on the income distribution of elderly couples in urban areas, let alone those living in rented quarters in large cities. Thus, it is impossible to determine what proportion of elderly couples living in urban areas have incomes that are insufficient for the "modest, but adequate" level of living provided by the budget.

It is of some considerable interest, however, to compare changes in the elderly couple's budget with changes in the median income of elderly families in urban areas in the last decade. The original elderly couple's budget, which was developed by the Social Security Administration in 1946-47, was repriced in March 1949 and October 1950. The cost of the

²¹ Margaret S. Stotz, "The BLS Interim Budget for a Retired Couple," Monthly Labor Review (November, 1960), 1141-1157.

items in this original budget was estimated again in the autumn of 1959, indicating that there had been an average increase in 20 large cities amounting to ~~56.9~~ ^{56.3} per cent since October 1950.²² During the same period the BLS consumer price index, which is designed to measure changes in living costs for a city worker's family with two children rose only 19 ^{105.0 to 125.5} per cent.²³ Data on the median income of urban families with elderly heads are not available for 1950, but from 1951 to 1959, as we have seen, the median income of this group rose only 26.9 per cent. If we take account of changes in patterns of expenditures during this period, as was done in the preparation of the BLS interim budget for an elderly couple, the comparison is even more unfavorable, for the cost of the interim budget in the autumn of 1959 was ~~70.8~~ ^{70.2} per cent higher, on the average in the 20 cities, than the cost of the original budget nine years earlier.²⁴

It may well be that living costs for elderly couples have risen more in large cities than in the average urban area, but the difference is probably not great. The comparisons suggest that elderly couples living in rented quarters in large cities are having greater difficulties making ends meet, on the average, than they were a decade ago, despite the fact that their money incomes have increased appreciably. And, although the proportion of elderly couples who own their own homes is high for the country as a whole, it is not as high in very large cities such as New York and Chicago as it is in smaller communities.

✓ 22

Ibid. and

✓ 23

Consumer Price in the United States, 1953-58 Bulletin 1256, U.S. Bureau of Labor Statistics, Washington, D.C., Distribution Office, 1959

✓ 24

Story, p. 47

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Elderly home-owners in urban areas have probably fared somewhat better than renters. The BLS consumer price index indicates that housing costs have risen less for home-owners than for renters, and this is probably particularly true for the elderly, since most aged home-owners own their homes free and clear and thus have not been affected by the increase in mortgage costs.

It seems likely that the real income of elderly couples and individuals in rural areas may, on the average, have increased somewhat in the last decade. Median money income of elderly families has increased sharply in rural areas, as we have seen, and may have risen somewhat more than living costs, although the available data do not lend themselves to precise comparisons.²⁵

Housing costs. The capacity of an elderly couple or individual to maintain an independent household will depend on the relationship between the couple's or individual's total annual income and total budgetary requirements. However, in estimating how much those with given incomes can afford to pay for housing, we need data on the per cent of income spent for housing by home-owning and home-renting elderly couples and individuals at various income levels. These percentages tend to differ appreciably from the corresponding percentages for younger age groups in the population.

²⁵ A study of expenditures of farm families, conducted by the U. S. Department of Agriculture in 1955, indicated that average annual expenditures of farm families headed by an individual aged 65 and over amounted to \$2,105. The study also indicated that between 1941 and 1955, average expenditures of all farm families had risen as a percentage of urban family expenditures, although they still represented less than half of urban family expenditures on the latter date. See Farmers' Expenditures in 1955 by Regions, Statistical Bulletin No. 224, and Farm Family Spending in the United States, Agriculture Information Bulletin No. 192, U. S. Department of Agriculture (Washington, D. C.: Government Printing Office, 1959 and 1958).

The 1950 BLS Survey of Consumer Expenditures, Income, and Savings provided a wealth of data on the distribution of family expenditures, which were later extensively analyzed at the Wharton School of Finance and Commerce. Among families headed by persons aged 65-74 years, for example, 24.3 per cent of total expenditures were for housing and household operations, while among those headed by persons aged 75 and over such expenditures represented 30.5 per cent of the total.²⁶ However, as we should expect, the percentage spent on housing and household operations tended to decline with increasing income.

Although these data merit detailed study, patterns of expenditures have changed appreciably during the last decade, in response to income changes and differences in price behavior among various components of total expenditure.

The original elderly couple's budget, for example, allocated 43.4 per cent of the total annual budgetary amount for rent, heat, and utilities in Washington, D. C. in March 1946.²⁷ However, on the basis of the new interim budget prepared by the BLS, only 30.3 per cent of total expenditures would have been required for rent, heat, and utilities in the same city in the autumn of 1959.²⁸

Fortunately, the BLS is undertaking an extensive new survey of con-

²⁶ S. Goldstein, Study of Consumer Expenditures, Income and Savings: Consumption Patterns of the Aged (Philadelphia: University of Pennsylvania, 1960), p. 85. See, also, Study of Consumer Expenditures, Income, and Savings, Wharton School of Finance and Commerce, Vol. 18 (Philadelphia: University of Pennsylvania, 1957). The Steiner-Dorfman study, op. cit., also provided information on home-ownership and amounts expended for rent.

²⁷ "A Budget for an Elderly Couple," Social Security Bulletin, 11 (February, 1948), 4-12.

²⁸ Stotz, op. cit., p. 1144.

sumer expenditures for purposes of revising the consumer price index.²⁹ It is to be hoped that arrangements will be made for intensive analysis of these data, along the lines of the Wharton School study of the 1950 data. However, there is also a need for supplementary information on patterns of expenditures in small communities and rural areas.

The Need for Improved Income and Budgetary Data

It is evident that we can make only rough guesses about the adequacy of incomes of the aged population on the basis of existing data. For a satisfactory appraisal, we should have data on both the income distribution and budgetary requirements of elderly couples and individuals (of each sex separately) in urban communities of various sizes and rural areas. We should also have special estimates of the budgetary requirements of those who are living in the households of adult children or other relatives.

On the income side, one way of improving the present situation would be for the Census Bureau to carry out a special follow-up survey like that conducted in April 1952 for the University of California.³⁰ This would have the advantage of permitting detailed analysis of changes in labor force status, income, and asset holdings since the earlier survey was conducted. However, another alternative, which would have the advantage of providing more detail on the money income status of the aged in various

²⁹ See M. Wilkerson, "The Revised City Sample for the Consumer Price Index," Monthly Labor Review, 83 (October, 1960), 1078-1083.

³⁰ Steiner and Dorfman, op. cit.

parts of the country, would be to undertake a detailed analysis of income data collected in the 1960 Census.

On the budgetary side, it is to be hoped that the data collected in the new ELS survey will be subjected to detailed analysis, as suggested above.

What about the problem of keeping such information up to date? Here there is a need to investigate the possibility of providing special tabulations of the income data from the Current Population Survey which would be more useful for analysis of the income status of the elderly and which could be directly related to special budgets for elderly people which would be repriced each year.

THE ASSET POSITION OF THE AGED

Financial Assests

The Steiner-Dorfman study indicated that holdings of financial assets were a relatively unimportant source of income for the aged, except for those ^{with} comparatively large amounts of income.³¹ The OASDI beneficiary surveys and other recent studies have tended to provide the same picture.³²

To what extent can older persons improve their current income position through the conversion of assets into cash for purposes of current

³¹ Ibid., Chapter IX.

³² Epstein, op. cit., pp. 19-22.

consumption expenditures? Again, the answer is that holdings of financial assets are too small to provide any appreciable supplement to current income except among those whose incomes are relatively high. As Lenore Epstein has put it, "those aged persons, families, or spending units whose incomes are lowest, and who would benefit most from assets readily convertible to cash, are the least likely to have them."³³

Home Ownership

The situation is significantly different with respect to home ownership. If relatively few elderly people can live on their assets, a substantial proportion enjoy the benefits of home ownership, usually free and clear of any mortgage. However, data on home ownership among the aged must be interpreted with caution. The Steiner-Dorfman study, one of the few sources providing data on home ownership for all economic units in the aged population, indicated that nearly three-fourths of the elderly couples owned their own homes in 1952 and that in 85 per cent of these cases the home was owned free and clear. But only 36 per cent of the unmarried men and 38 per cent of the unmarried women owned a home, although very large percentages of the home-owners in these groups also had no mortgages.³⁴

More recent data from a study being conducted at Cornell University, involving field surveys in five widely separated geographical areas in 1958-1959, indicated that 75 per cent of the married couples, 60 per cent of the unmarried men and 57 per cent of the unmarried women owned

³³ Ibid., p. 19

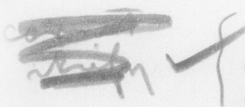
³⁴ Steiner and Dorfman, op. cit., p. 130.

homes.³⁵ These data are not, of course, directly comparable with those reported by Steiner and Dorfman, because of the limited number of geographical areas included in the Cornell study.

To what extent the homes owned by the aged are suitable for their needs is less clear. Data from the 1950 Census indicated that homes owned by families headed by an individual aged 65 or more (1) were larger, on the average, than those owned by younger families, (2) were somewhat lower in value, and (3) were slightly more likely to be substandard.³⁶ However, a somewhat neglected consideration in discussions of housing problems of older people is the fact that many elderly home-owners receive some income from rental of rooms or apartments in their homes. The Cornell study indicated that 23 per cent of the couples, 20 per cent of the unmarried men, and 33 per cent of the unmarried women who owned their homes rented rooms or apartments.³⁷

POTENTIAL DEMAND AND EFFECTIVE DEMAND

On the basis of everything that has been said thus far, it is evident that a good many elderly persons who are living with relatives would probably seek to maintain their own households if they could afford to do

 ³⁵ G. H. Beyer, "Living Arrangements, Attitudes and Preferences of Older Persons," paper presented at Fifth International Congress of Gerontology, San Francisco, California, August 9, 1960.

³⁶ E. E. Ashley, "Where and How Older People Live Today," in Wilma Donahue, editor, Housing the Aging (Ann Arbor: University of Michigan Press, 1954).

✓ ³⁷ Beyer, op. cit., p. 4.

so. There are also a good many elderly couples and individuals who would seek to move to better housing if they could afford it. Thus the potential demand of elderly economic units for housing, irrespective of current capacity to pay, substantially exceeds the current effective demand. If the real income status of the aged improves in the future, the effective demand for housing on the part of the elderly can be expected to increase, moving closer to the potential demand.

As an upper limit--useful only for conceptual purposes--the maximum number of potential elderly households could be considered to equal, at any given time, all couples with a husband aged 65 and over and all individuals aged 65 and over (or, for certain types of analysis, it might be useful to use a lower age limit, e.g., 60). The number of actual elderly households would always fall somewhat short of this limit since there would probably always be some elderly couples and individuals who would prefer to live with relatives, irrespective of income considerations, some individuals who would like to share homes or apartments with others, and some who were too aged and infirm to maintain independent households.

The number of potential households could also, conceptually at least, be subclassified into (1) owned dwelling units and (2) rented units. These two classes could be further categorized according to the total value of the owned units and the rents paid for the rented units. Owned dwelling units could also be subclassified into houses and apartments (e.g., co-operatively owned) and rental units into houses, apartments, and rooms.

Since there is considerable evidence that the proportion of home owners, the value of homes owned, the rent paid for rental units, and the proportion of elderly couples and individuals maintaining their own households all rise with increasing income, it is possible, on the basis of data showing the relationship between income, age, and housing arrangements, to develop estimates of the increase in effective demand that would occur if incomes of the elderly were to increase. Furthermore, it is possible to develop estimates of the demand for apartments renting at various amounts and for owned units at various prices by utilizing, in addition, data showing the proportion of income spent for housing by elderly couples and individuals at various income levels.

A pioneering study by Wallace F. Smith, conducted under the auspices of the Real Estate Research Program of the University of California and based largely on California data, represents an interesting example of the use of such a technique.³⁸ Smith's study shows clearly that, not only among those aged 65 to 74, but also among those aged 75 and over, who are more likely to be affected by infirmities, higher income is associated with a greater propensity to maintain a separate household, and also with a rising proportion owning their own homes. His study also indicates, among other things, that a shift from the "less than \$1,000" income class to the "\$1,000 to \$2,000" class would lead to a much sharper drop in the proportion of elderly couples and individuals living with relatives than would shifts from any higher bracket to the next higher bracket. On the

³⁸ W. F. Smith, Housing for the Elderly, unpublished manuscript, Real Estate Research Program, Institute of Business and Economic Research, University of California, Berkeley.

crude assumption that "adequate" rental units would rent for no less than \$50 a month and that an elderly household should not pay more than 30 per cent of its income for housing, he shows that 63 per cent of the elderly households presently renting accommodations in California could not afford housing of this quality.

Smith's estimates of future housing demand were based on the simplified assumptions that (1) the only important factor bring^{ing} about an increase in money income from 1960 on would be an increase in the proportion of the aged receiving OASDI benefits and (2) over-all living costs and housing costs would remain constant. If a more extensive study could be undertaken, on a nationwide basis, it would be desirable to attempt to develop a more refined and realistic set of assumptions. This would require an analysis of probable future trends in both the money income status of the aged and in their living costs. Such a study might proceed in two stages: (1) an analysis of changes in income and living costs in the recent past and (2) a study of the factors which might be likely to determine whether these changes could be expected to occur at the same rate in future decades or at a different rate. It would also have to take into account, as Smith's study did, the probable increase in the aged population by marital status. A thoroughgoing analysis would have to consider, in addition, the impact of probable changes in financial asset holdings and home ownership.

Another critical difficulty with which Smith did not attempt to deal--because of the absence of data--concerns the extent to which elderly couples and individuals will choose to live in various types of congregate housing arrangements in the future. Such arrangements were almost non-

existent in 1950, were available on a limited scale in 1960, and may be far more important in the future. At a later stage, we shall make some suggestions as to types of research which might shed more light on the future demand for such housing arrangements.

RECENT CHANGES IN THE ECONOMIC STATUS OF THE AGED

The money incomes received by the elderly have increased markedly during the last decade, as we have seen, although there is some evidence that their real income status may actually have deteriorated to some extent, at least in urban areas.

The change in the money income status of the elderly has represented the net result of a complex set of changes in the relative importance of the various sources from which older people receive their income and in the amounts of income received from these sources. Not all of these changes have exerted their influence in the same direction. Changes in the number and proportion of elderly persons receiving income from employment and public income-maintenance programs have been subjected to extensive analysis by Lenore Epstein of the Social Security Administration and need not be discussed here, except in so far as they have important implications in relation to the problem of estimating future changes.³⁹ There are also reasonably informative data on changes in average income received from these sources. Information on changes in income from private pensions,

³⁹ For the most recent report on these changes, see Lenore Epstein, "Money Income of Aged Persons, Mid-1960," Social Security Bulletin, 24 (January, 1961), 12-17.

private investments, and contributions from relatives is far less satisfactory.

By far the most important change that has occurred in the last 12 years has been the sharp rise in the proportion of persons aged 65 and over receiving OASDI benefits--from 20 per cent in 1948 to 66 per cent in mid-1960. There has also been a substantial rise in the average level of benefits. Other public and private pension and retirement systems have likewise assumed increasing importance as sources of income. On the other hand, the proportion receiving income from earnings has fallen appreciably, along with the decline in the labor force participation of elderly men, while the percentage receiving income from public assistance has also declined significantly, largely because the increase in the proportion eligible for OASDI benefits has contributed to a decline in destitution among the aged. The decline in the proportion receiving earnings has been especially significant, since income received in the form of earnings tends to be much higher, on the average, than income received from retirement programs and from private assets.⁴⁰

Data on changes in the asset position of the aged in the last decade are very limited but are of less critical importance in relation to estimates of future housing demand, since, as we have seen, asset holdings are correlated with income and are likely to be quite small except on the part of those with relatively high incomes, whose housing needs present no social problem. Furthermore, holdings of financial assets are highly correlated with both home ownership and the value of

⁴⁰ Cf. Steiner and Dorfman, op. cit., Chapter VIII.

the home owned. Thus, they tend to be of relatively little importance in relation to potential home purchases on the part of elderly people who have not acquired a home at an earlier stage of life.

Of greater significance is the increase in home ownership in all age brackets of the population. Since it can probably safely be assumed that the great majority of young and middle-aged families owning homes today will continue in the status of home-owners to a relatively advanced age, these changes can be expected to result in an increase in the proportion of home-owners among future cohorts entering the 65 and older bracket. The Survey of Consumer Finances showed that the proportion of home-owners among non-farm spending units increased from 44 per cent in 1949 to 54 per cent in 1959. Among spending units headed by individuals aged 55 to 64, the increase was from 58 per cent in 1949 to 68 per cent in 1959.⁴¹

THE PROBLEM OF PREDICTING FUTURE INCOME CHANGES

The problem of predicting future changes in the money income status of the aged is complex, since (1) both earnings and various types of retirement income play important roles in determining the money incomes of the elderly, (2) the factors influencing these varied sources affect their average money income differently and not necessarily in the same direction, and (3) future changes will depend, to a considerable extent,

⁴¹ "1959 Survey of Consumer Finances: Housing of Nonfarm Families," Federal Reserve Bulletin, 45 (September, 1959), 1107.

on legislative decisions. Intensive research is needed to provide a more reliable basis for prediction, along lines to be discussed presently. Since, however, the results of such research will not be immediately available, it is of some interest to consider briefly the factors that will influence changes in money income and budgetary costs of the aged in future decades.

Future changes in earnings of the aged will be related to the rate of economic expansion, changes in the average wage level, and changes in labor market conditions. All things considered, it seems likely that earnings will continue to decline in relative importance as a source of income for those aged 65 and over, since there are increasing indications of growing pressure, at least in blue-collar sectors of employment, to lower the age of retirement in order to improve job opportunities for younger workers.⁴² This pressure is likely to continue as long as labor market conditions resemble those that have prevailed in the last five or six years. On the other hand, a marked increase in the rate of economic growth and a decided decline in unemployment rates might slow up the decline in labor force participation of elderly men. It is unlikely, however, that the decline will be reversed under any conditions short of all-out war.

Although earnings have been declining in relative importance, it was estimated that they accounted for some \$10 to \$11 billion, or roughly a third, of the approximately \$30 to \$33 billion of aggregate income received by persons aged 65 and over in 1960.⁴³

⁴² For further discussion of these problems, see my "Work and Patterns of Retirement."

⁴³ Epstein, "Money Income of Aged Persons, Mid-1960," pp. 15-16.

OASDI benefits contributed about \$8.5, or probably slightly more than a fourth of the income of aged persons in 1960.⁴⁴ They will continue to play an increasingly important role as a source of income for elderly persons. The proportion receiving OASDI benefits will continue to rise until it represents 90 per cent or more of the aged population. One of the most significant effects of this change will be a continued sharp decline in the proportion of elderly women reporting no income, as more and more elderly women become eligible for wives', widow's or retired worker's benefits. Whether the average level of OASDI benefits will be greatly increased, however, is much less clear. During the 1950's Congress showed a disposition to increase the average level of benefits to keep pace, although with some lag, with the rise in the consumer price index. If a special consumer price index were developed and regularly published for elderly people in the future, Congress might conceivably use the special index as a standard for changes in OASDI benefits. This would protect elderly OASDI beneficiaries from a deterioration in the real income received from this source but would not, in the absence of other changes, contribute to an increase in their real incomes or in their capacity to pay for housing. Certain other changes do, however, seem likely, e.g., a liberalization of the formula for widow's benefits. All things considered, it seems probable that liberalization of the benefit structure will take the form, chiefly, of measures to increase the benefits received by those now getting relatively low benefits. This will, in all probability, contribute to a reduction in the proportion of elderly people living with relatives. To what extent it will enable

⁴⁴ Ibid., p. 15.

elderly people to pay rents high enough to obtain reasonably satisfactory housing is another question.

If legislation is adopted to provide health benefits for the aged through OASDI, the effect on the real income status of OASDI beneficiaries will be significant. Some of those who feel that they cannot now afford decent housing because of the pressure of heavy medical expenses, or the fear of such expenses in the future, may find themselves in a position to improve their housing status. It should be possible to develop reasonably reliable estimates of the effects of such legislation on the budgetary requirements of the elderly, taking into account, of course, the fact that not all their medical expenses will be covered. The program adopted under the Kerr-Mills bill of 1960 will also, of course, cover some of the medical expenses for eligible elderly people in those states that have adopted implementing legislation or decide to do so in the future.

Although the number of persons covered by private pension plans has been increasing rapidly, only about 1-1/3 million, or about 8.4 per cent, of persons aged 65 and over were receiving incomes from private pensions in 1960.⁴⁵ Furthermore, this source of income accounted for only about four per cent of aggregate income received by elderly persons. However, private pensions will play an increasingly important role in the provision of retirement income in the future. Since the number of persons covered by such plans has increased at an exceedingly rapid rate in the last decade, the number of elderly persons receiving private

⁴⁵ Ibid.

pensions can be expected to grow quite rapidly in the future, even though by no means all persons who have ever been covered by a plan will be able to meet the eligibility conditions for a pension on retirement. Nevertheless, less than a third of the total labor force was covered by a private pension plan in 1959. It was the workers in large companies and in strong unions who were most likely to be covered. Only with considerable difficulty will private pension coverage be extended to workers in the smaller companies, while some groups of workers, e.g., agricultural and domestic workers, will probably not be covered in the foreseeable future. For the most part, private pensions go to aged persons who are also receiving OASDI benefits, and although neither source alone is likely to provide, on the average, an income adequate for budgetary requirements, the two sources combined often provide a reasonably satisfactory retirement income. Furthermore, benefit formulas under private plans are gradually being liberalized, and thus will contribute to more adequate incomes from this source in the future.

Other government retirement programs--for civil servants, retirees of the armed forces, and railroad workers--contributed about \$2.1 billion, or some six to seven per cent of the aggregate income of the aged in 1960. Among these programs, those for state and local government employees in particular are likely to assume greater relative importance as a source of retirement income in the future, since coverage under these programs has been increasing quite rapidly in the last decade.

Approximately 2.4 million aged persons received public assistance payments in some form in 1960, and about \$2.0 billion, or roughly six per cent, of the aggregate income of the aged was received from this source.

Although the number of old-age assistance recipients has been slowly declining, the new MAA program (established under the provisions of the Kerr-Mills bill) will have the effect of increasing the number of elderly persons benefiting from vendor payments for medical care. However, the number of persons relying on old-age assistance as a source of monthly income will continue to decline.

Veterans' benefits accounted for about \$1.1 billion of the aggregate income of aged persons in 1960. This source of income is likely to increase somewhat in relative importance in the next few decades, particularly since many World War I veterans and their widows are now moving into the 65 and older bracket. However, the average amounts received under this program are likely, for the most part, to be quite small except for those with very little income from other sources.

Sources of income other than those already mentioned--chiefly asset income--accounted for some \$6 to \$7 billion, or roughly a fifth of the income of elderly persons in 1960. Whether this source will assume greater relative importance in the future depends on whether future cohorts of persons approaching retirement age will have appreciably larger accumulated savings than those who have reached retirement age in the recent past. There is some evidence that, although the propensity to save has remained relatively stable for the population as a whole during the last decade, and holdings of liquid assets have not increased appreciably, savings have increased considerably among those in their late fifties and early sixties. The Survey of Consumer Finances indicates that among spending units headed by an individual aged 55 to 64, the proportion with liquid asset holdings amounting to \$2,000 or more increased

✓ from 34 per cent to 40 per cent between 1949 and 1958.⁴⁶ To the extent that this is occurring, it probably reflects chiefly the influence of the marked rise in labor force participation rates of older married women, which has substantially increased the family income of couples in this age bracket. The capacity of such couples to save at least part of this additional income is enhanced by the fact that their children are usually no longer dependent on them. Nevertheless, the accumulation of financial assets in sufficient amounts to provide a substantial source of retirement income in the future is likely to continue to be limited to those with comparatively high incomes.

However, it must also be recognized that the marked rise in the labor force participation of mature married women, particularly in the last decade, will mean that many of these women will qualify for retired worker's benefits--both from OASDI and from private pension plans or in some cases from public employee retirement systems--in the future. Mature couples, as already suggested, will be able to accumulate more savings as well.

Furthermore, the gradual upgrading of the occupational structure of the labor force, and in particular the increased employment of salaried professional and technical workers, will also contribute substantially to an increase in income received from retirement systems in the future.

All things considered, we can expect a continued decline in the proportion of older persons with no income, a gradual increase in income

✓ ⁴⁶ "1949 Survey of Consumer Finances: Part IV. Consumer Ownership and Use of Liquid Assets," Federal Reserve Bulletin, 35 (August, 1949), ; and "1958 Survey: The Financial Position of Consumers," ibid., 44 (September, 1958), 1055.

received by those with highly inadequate incomes today, an increase in the proportion of persons who approach old age owning a home, and a decided improvement in the retirement income status of those elderly couples who will be in a particularly favored position because both husband and wife can qualify for retired worker's benefits.

To what extent will this improve the real income position of aged persons in the income brackets that cannot afford adequate housing today? The increase in the proportion of home-owners will almost certainly mean a net improvement in the capacity of older persons to afford adequate housing. Apart from this, much will depend on what happens to living costs for the aged in general, and housing costs in particular, in relation to the rise in their money incomes.

Prediction of these trends must be closely related, of course, to predictions of the general rate of expansion of economic activity and of the future movement of price and wage levels. The costs of medical care and of other services will undoubtedly continue to rise rapidly, but appreciable relief will be granted elderly persons to the extent that the costs of medical care are met through public programs. As for housing costs, it seems likely that by the mid-1960's a new housing boom will be under way, as the cohorts who were born during World War II reach the age of marriage and child-raising. This may precipitate an acceleration of the rise in housing costs, to the disadvantage of the aged.

There are a number of different types of research projects which would shed more light on these relationships, but I would suggest especially the following:

1. An intensive analysis of income and housing data from the 1960 Census, arranging for special tabulations where necessary, and emphasizing a study of changes from 1950 to 1960.

2. Amplification of the BLS Survey of Consumer Expenditures-- through a special follow-up survey or the addition of certain questions at an appropriate stage of the project--to provide information on (a) changes in housing arrangements during the preceding year on the part of families, by age of head, and on the part of older persons living with relatives, together with the reasons for such changes and (b) attitudes toward present housing arrangements, with information on reasons for satisfaction or dissatisfaction with them. It might be desirable, in connection with such a project, to over-sample families with heads aged 50 or more, as well as persons living with relatives in these same age brackets. Wherever sales of homes had taken place, data should be collected on the reasons for the sale, the value of the home sold, whether the proceeds were used to purchase another house, and, if so, at what price, and information on any special difficulties encountered by elderly persons in selling their homes, e.g., because there was no outstanding mortgage. The results would be especially valuable because of the fact that they could be related to the detailed data on income, family expenditures, saving, and home ownership to be collected in the survey.
3. Initiation of a study, conducted by the Social Security Administration--along the lines of tentative plans developed in recent years but not yet implemented--under which every year a sample of individuals applying for old-age benefits under the OASDI program would be asked to provide information on their prospective retirement income from private pension plans, other government retirement programs, earnings, and asset holdings, as well as information on home-ownership and amounts of financial assets held. Each married applicant would be asked to provide such information for himself and his spouse. It would have to be made clear to the applicants, of course, that the data were being collected solely for purposes of research. Accumulation of such data over a period of years would provide an improved basis for predicting changes in the money income of the aged, since it would yield more adequate information on changes in income from private pensions and other sources received by successive cohorts of persons reaching retirement age.
4. Utilization of the data from the BLS Survey of Consumer Expenditures to develop a variety of special budgets for elderly couples and individuals with differing living arrangements. In addition, special surveys need to be conducted in smaller communities and rural areas to provide the necessary data for special budgets for the aged in such areas. Once prepared, these budgets should be repriced every year and should be revised from time to time.
5. To shed light on attitudes toward congregate living arrangements, several different approaches might be used. In connection with the amplification of the BLS Survey of Consumer Expenditures,

older people could be asked about their attitudes toward such arrangements. But, in addition, careful studies should be made of the experience of some of the projects now in existence or currently being developed--with particular reference to the reasons for success or failure in attracting residents, the characteristics of persons who choose such living arrangements as compared with those who do not, the characteristics of those who try them for a while but later move out, and so on.

THE GEOGRAPHICAL DISTRIBUTION OF THE DEMAND FOR HOUSING

Because younger adults have a higher propensity to move from place to place than older adults, analysis of the geographical mobility of older persons has been somewhat neglected. Yet it is essential to intelligent planning in relation to the housing needs of older persons.

To what extent can we assume, for example, that the present tendency for elderly persons to be disproportionately represented in the central areas of large cities will continue to be true in the future? Will the younger couples now living in suburbs want to move back to central cities as they approach old age, or will they have developed such strong ties of friendship in the suburbs that they will want to remain there as long as possible? And can we expect a substantial difference in the attitudes they will display toward this question at, say, age 75 as compared with age 65?

These are just a few of the questions that should be asked, along with the more obvious questions as to whether the propensity to move to California, Florida, Hawaii, and other states with mild climates has been increasing.

If the 1960 Census migration data are tabulated in sufficient detail, they will yield a valuable basis for analysis of these trends, since they will provide information on all changes in area of residence between 1955 and 1960. I would especially like to see careful comparisons between these data and the migration data from the 1940 Census, which also related to changes over a five-year period, from 1935 to 1940.

THE ISSUE OF PUBLIC SUBSIDIES

It can be argued that, in the long run, the housing problems of the aged will gradually be solved through improvement in their income status. As a corollary, it can be argued that our basic social policy should adhere to the general principle embodied in the Social Security Act of 1935, under which reliance was to be placed on cash benefits -- old-age insurance and old-age assistance -- leaving decisions as to the distribution of expenditures to the recipients of the benefits. Adoption of this principle was considered desirable because of a conviction that there had been many abuses and indignities associated with relief in kind under former poor relief programs.

However, this principle has been modified in a number of ways since 1935, e.g., through the provision of vendor payments for medical care. It has also been modified to the extent that the federal and state governments have adopted policies designed to aid in the provision of adequate housing for elderly persons.

It is apparent that the choice between improvement of income-maintenance programs and housing subsidies is not an "either or" choice. Public housing policies may range all the way from subsidized public housing projects at one extreme to modest expenditures of public funds to promote research or more adequate community planning, at the other. In between, there are a variety of programs designed to aid in the financing of housing projects through mortgage insurance and other measures designed to ease the terms under which funds can be borrowed.

Since alternative methods of financing housing programs for the aged will be considered in another paper, they will not be discussed here. I shall attempt merely to indicate some of the analytical questions that underly a choice between housing subsidies, on the one hand, and reliance on improving the income status of the aged, on the other.

1. Which approach would be likely to be more costly? This question requires careful study, but some of the data presented in this paper suggest that it would require a very substantial increase in OASDI benefits in particular, and also in certain other sources of income, to bring adequate housing within the reach of all elderly couples and individuals. Increases in OASDI benefits would affect all those who could meet the eligibility requirements, irrespective of whether or not they wished to maintain independent households. Public housing subsidies, on the other hand, would benefit only those seeking living accommodations in the subsidized housing. Thus, it seems likely that the subsidy approach would accomplish the objective of bringing adequate housing within the reach of those elderly couples and individuals who desired it at lower cost. However, it is obvious that cost considerations should not be the sole determinant of public policy, since there are many other considerations involved.

2. How would the distribution of the financial burden differ? On the assumption that any substantial improvement in the income status of the lower-income groups among the aged in the relatively near future would have to come about largely through an increase in OASDI benefit levels, it is apparent that this approach would be likely to involve a different distribution of the financial burden from the subsidy approach.

The OASDI program is financed through taxes on employers and employees, based at present on the first \$4800 of annual earnings. Without getting into an extensive discussion of the complex question of the extent to which these taxes are shifted, it can be maintained that they are paid largely by the wage-earning population and are somewhat regressive in their impact. Housing subsidies, on the other hand, are more likely to be paid from general revenues. In the case of the federal government, this means that the financial burden is likely to be distributed somewhat more in accordance with ability to pay, but in the case of the state governments this is much less likely to be the case.

3. How would the distribution of beneficiaries differ? The answer to this question depends in part on what types of subsidy programs are adopted and which income brackets in the aged population are most likely to benefit. It also depends, on the other hand, on the particular manner in which OASDI benefits, or other income-maintenance programs, are changed, e.g., whether minimum benefits are disproportionately increased, benefits are increased across the board, maximum benefits are increased, the widow's benefit formula is liberalized, or some combination of all these and perhaps other changes is adopted.

4. Which approach is likely to achieve more rapid results? This question cannot be answered solely in terms of economic analysis or research, since the answer ultimately depends in part on which approach stands the best chance, politically, of vigorous enough action to meet the problem. It has already been suggested that it is likely to be a long time, indeed, before the problem of adequate housing for the aged is solved solely through the income-maintenance approach, unless much more

far-reaching changes in the OASDI program are adopted than now appear to be seriously under consideration. A carefully conceived housing policy would appear more likely to produce reasonably prompt results in relation to the needs of those now living with relatives or in substandard housing because of moderate deficiency of their incomes. It would probably do nothing for those whose incomes are grossly deficient.

5. What would be the relative impact on freedom of choice, human dignity, etc.? All other things being equal, a strong case can be made for reliance on old-age insurance and other public and private retirement programs of the insurance type on the grounds that they best preserve both the principle of benefits as a matter of right and maximum freedom of consumer choice. Any program of direct public subsidies, whether in the form of public housing, rent certificates, or other arrangements, will almost inevitably require some type of income or means test and will involve a departure from the principle of cash benefits to be freely expended by consumers. Conceivably an income test might be avoided by incorporating a system of rent certificates in the OASDI program, but such a scheme would require very careful study, and many would probably argue that sound public policy should not permit the provision of rent certificates through OASDI without reference to the income status and asset holdings of the beneficiary.

6. Are there special groups whose needs cannot be met through improved income-maintenance programs? If there is some doubt that the housing needs of the healthy aged can be met solely through an improvement in their income status, there is a considerably greater margin of doubt with respect to those who need some type of institutional or quasi-institutional care. Steps have been taken to improve standards in

nursing homes and to provide nursing-home mortgage insurance. Programs designed to meet the problem of financing of medical care for the aged may, depending on their precise provisions, assist in the financing of nursing home care. But we need more extensive research on the adequacy of existing nursing home care and on the question as to whether, at least for the lower income brackets in the aged population, proprietary nursing homes can be relied on to meet the need.

What about elderly persons whose health status lies somewhere between the very sick, who need nursing home care, and those who are well enough to maintain independent households? It is difficult to find suitable homes even for relatively well-to-do elderly persons who need some slight degree of supervised care, but who do not need to spend their lives in association with the very ill and often senile cases that predominate in the average nursing home. It is even more difficult to meet the needs of low-income elderly persons who need some degree of supervised care and for whom home-maker services in some cases cannot provide the answer. Research is required on the extent of this need and on ways and means of meeting it. An extensive study of programs in several European countries, e.g., Sweden, would be valuable. In addition, among the questions that might be asked through the BLS Consumer Expenditure Survey, as proposed earlier, there could also be a few designed to determine the extent of this type of need.

As for the question as to whether there are certain social and ethnic groups whose housing needs cannot be met through improved income-maintenance programs, there has been almost no research which would shed any light on this question. We know that the attitudes of adult children

toward responsibility for their aged parents vary somewhat among social and ethnic groups, but there is a need for a few specialized research projects on the economic status and living arrangements of elderly Negroes, Puerto Ricans, Mexican-Americans, and others.

7. Is the need for government planning an argument for public subsidies? Here again the question requires study, but the answer is probably not clearcut. Both public and private research and planning are needed but public planning need not necessarily be linked with direct housing subsidies to be effective. Furthermore, both public and private housing projects can suffer from bad planning. Virtually all experts agree that planning to meet the housing problems of the aged should be tied in with broader community planning and with urban redevelopment projects.

There is a particularly critical need for both research and planning in connection with the impact of urban redevelopment programs on the aged. Given the relatively high degree of concentration of the aged in the older, central portions of large cities, they are undoubtedly likely to be particularly affected by urban redevelopment programs. And yet there is a serious danger in many cases that the new housing provided through urban redevelopment programs may be too expensive for those who have been ousted or may be otherwise unsuitable.⁴⁷

⁴⁷. See Smith, op. cit., for some interesting data on elderly people affected by the Western Addition project in San Francisco.

CONCLUSIONS

The chief focus of this paper has been on the inadequacy of existing data in relation to the development of housing policies for the aged and on the formulation of research suggestions. In the course of working on the paper, however, my own ideas on policy issues, which were largely unformulated in the beginning, were almost inevitably affected. Even in the absence of the more intensive research which is vitally needed, the facts which have been examined in this paper, as well as certain other information of a less statistical nature which I have not had time to discuss, seem to me to suggest certain guides to public policy:

1. Only in the very long run, if then, is it likely that improvement of the income status of the aged will make it possible for all elderly couples and individuals who would like to maintain independent households to obtain adequate housing, and even in the long run the income-maintenance approach is not likely to solve the problem of all those who require institutional or quasi-institutional care.

2. Public policy should be directed primarily toward meeting the needs of elderly couples and individuals in the low-income brackets who cannot afford adequate housing. Certain existing federal programs have accomplished little in this direction.⁴⁸ The approach to the problem of meeting the most critical needs of the low-income aged should, in all probability, be pluralistic. It should not rely entirely on public

⁴⁸. Cf. Smith, op. cit.

housing projects but should also involve study of, and perhaps experimentation with, such devices as rent certificates.

3. The housing needs of the upper-middle and higher income groups among the aged can safely be left to the private housing market, except to the extent that some degree of community planning, particularly in the form of modification of zoning restrictions, may be needed. Private builders and numerous organizations are becoming more and more interested in the special housing problems of the aged, and are experimenting with a variety of approaches.

4. Perhaps the most critical conditions requiring attention are to be found in some of the low-income and slum districts of large cities. The attention of San Franciscans was directed toward this problem in dramatic fashion last winter as a result of several disastrous fires in old, run-down hotels where a number of impoverished elderly people lived. But slum clearance and urban redevelopment programs may simply make matters worse for some of these people unless the plans include provision for aiding them to move into decent low-rent dwelling units.

5. Whatever approaches are taken to the solution of the housing problems of the aged should be varied, should allow for a maximum of individual choice as to living arrangements, should avoid the construction of dwelling units which are suitable only for the aged and incapable of conversion to alternative uses, and should be continuously accompanied by studies of experience to determine which approaches are most successful in meeting the need.

6. In all research and planning, the life-cycle concept should be utilized and continuous attention should be paid to the fact that dwelling units which seem ideally suited for persons in their sixties and early

seventies may not be at all suitable for persons in their late seventies and their eighties.