100TH CONGRESS
1st Session

SENATE

S. REPT. 100-9
Volume 3

DEVELOPMENTS IN AGING: 1986
VOLUME 3

A REPORT

OF THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

PURSUANT TO

S. RES. 353, SEC. 19, MARCH 13, 1986

Resolution Authorizing a Study of the Problems of the Aged and Aging

FEBRUARY 27, 1987.—Ordered to be printed

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LETTER OF TRANSMITTAL

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, DC, February 27, 1987.

Hon. GEORGE BUSH,
President, U.S. Senate,
Washington, DC.

DEAR MR. PRESIDENT: Under authority of Senate Resolution 353, agreed to March 13, 1986, I am submitting to you the annual report of the U.S. Senate Special Committee on Aging, Developments in Aging: 1986, volume 3.

Senate Resolution 4, the Committee Systems Reorganization Amendments of 1977, authorizes the Special Committee on Aging, "to conduct a continuing study of any and all matters pertaining to problems and opportunities of older people, including, but not limited to, problems and opportunities of maintaining health, of assuring adequate income, of finding employment, of engaging in productive and rewarding activity, of securing proper housing and, when necessary, of obtaining care and assistance." Senate Resolution 4 also requires that the results of these studies and recommendations be reported to the Senate annually.

This report describes actions during 1986 by the Congress, the administration, and the U.S. Senate Special Committee on Aging which are significant to our Nation's older citizens. It also summarizes and analyses the Federal policies and programs that are of the most continuing importance for older persons, their families, and for those who hope to become older Americans in the future.

On behalf of the members of the committee and its staff, I am pleased to transmit this report to you.

Sincerely,

JOHN MELCHER, *Chairman.*

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DEVELOPMENTS IN AGING: 1986—VOLUME 3—AMERICA IN TRANSITION: AN AGING SOCIETY

FEBRUARY 27, 1987.—Ordered to be printed

Mr. MELCHER, from the Special Committee on Aging, submitted the following

REPORT

[Pursuant to S. Res. 353, 100th Cong.]

INTRODUCTION

America is growing older. One of the most significant demographic facts affecting America's present and future course is the aging of its population. The proportion and number of persons 65 years and older has grown and will continue to grow more rapidly than other age groups.

A quick overview of this surge in the older population highlights such facts as:

Growth:

—In 1900, 1 in 10 Americans was age 55 and over and 1 in 25 was age 65 and over. By 1985, 1 in 5 was at least 55 years old and 1 in 9 was at least 65.

—The older population grew twice as fast as the rest of the population in the last two decades.

—The median age of the U.S. population is projected to rise from 31.5 today to 36 by the year 2000.

—The 85-plus population is growing especially rapidly. This "very old" population is expected to be seven times as large by the middle of the next century.

—The elderly population is growing older. In 1985, 40 percent of the elderly population was age 75 and older. By the year 2000, half of the elderly population is projected to be 75-plus.

—Elderly women now outnumber elderly men three to two. This disparity is even higher at age 85 and older, when there are only 40 men for every 100 women.
—The ratio of elderly persons to persons of working age has grown from 7 elderly per 100 persons age 18 to 64 in 1900 to 19 per 100 today. By 2010, there are expected to be 22 elderly persons per 100 of working age and by 2050, 38 per 100.
—Life expectancy at birth improved dramatically over the last century. People born today have a life expectancy 27 years longer than those born in 1900. In 1985, life expectancy at birth for women was 78.4 years, while for men it was 71.3 years.
—The number and proportion of older veterans is increasing. By the year 2000, close to two-thirds, 63 percent, of all 65-plus males will be veterans, compared to a little over one-fourth, or 27 percent in 1980.
—Aging is an international phenomenon. The number of persons 60-plus in the world is expected to increase from 376 million in 1980 to 1.1 billion in 2025.
—Over half of the elderly live in just eight States: California, New York, Florida, Pennsylvania, Texas, Illinois, Ohio, and Michigan.
—In 1980, for the first time, more elderly lived in the suburbs than in the central cities.
—On average, older persons change residences half as often as younger persons, but those who move out-of-State tend to move to the Sun Belt.
—A new trend, called "countermigration," has emerged in which some 60-plus persons who migrated to the Sun Belt in their early retirement years return to their home States or the homes of family and friends.

Economic status:

—Older persons have substantially less cash income than those under 65. In 1985, the median family income of a family head age 65 or older was less than two-thirds (63 percent) the median income of a family head age 25 to 64.
—Elderly persons are more likely than other adults to be poor. (However, when children are also considered, elderly poverty rates are slightly below poverty rates for the rest of the population.) In 1985, 12.6 percent of persons 65 and older had incomes below the poverty level, compared to 11.3 percent of those age 18 to 64 and 14.1 percent of all persons under age 65.
—The old-old (85 years of age or older) have significantly lower money incomes than the young-old (65 to 74 years of age). In 1985, the median cash income of couples aged 85 and over ($15,111) was less than three-quarters the median cash incomes of couples aged 65 to 74 ($20,354).
—In 1985, the median income of elderly women was slightly more than half (57 percent) the median income of elderly men, $6,166 versus $10,800. Nearly three-quarters (72.4 percent) of the elderly poor population are women.
—Nonwhite elderly individuals have substantially lower money incomes than their white counterparts. For instance, among

those age 65 to 69, white males had a median income of $13,280 compared to a median of $7,092 for black men and $8,003 for Hispanic men.

—The elderly rely heavily on Social Security benefits and asset income. In 1984, 38 percent of all income received by aged units came from Social Security and 28 percent came from asset income.

—While Social Security and assets have grown in recent decades as a source of income for the elderly, earnings have become less important. Between 1968 and 1985, the share of income for elderly families provided by Social Security grew from 23 to 32 percent of income and the share provided by asset income from 15 to 23 percent. At the same time, the share contributed by earnings fell from 48 to 29 percent.

Retirement trends and labor force participation:

—In this century, retirement has become an expected part of an individual's life course. In 1900, the average male spent 3 percent of his lifetime in retirement. In 1980, he was spending one-fifth, or 13.8 years of his life in retirement.

—Age 65 is commonly thought of as the "normal" retirement age. However, almost two-thirds of older workers retire before age 65.

—The labor force participation of men and women drops rapidly with increasing age. For instance, according to labor force statistics for 1986, 45 percent of 62- to 64-year-old men were in the labor force compared to 25 percent of 65- to 69-year-old men, and 10 percent of those age 70-plus.

—In 1986, almost three-quarters (73 percent) of 65-plus workers were in managerial and professional; technical, sales, and administrative support; and service occupations.

—Three-quarters of the labor force would prefer to continue some kind of part-time work after retirement. In 1986, of the elderly who were at work in nonagricultural industries, 47 percent of the men and 59 percent of the women were on part-time schedules.

—For those elderly who desire to work, unemployment creates serious problems. Older workers who lose their jobs stay unemployed longer than younger workers, suffer a greater earnings loss, and are more likely to give up looking for another job.

Health status and health services utilization:

—Contrary to stereotype, most older persons view their health positively. Even if they have a chronic illness, two out of three elderly describe their health as good or excellent compared to others their own age.

—One out of five elderly have at least a mild degree of disability.

—Over half of the oldest—old have no physical disability, but the chance of becoming disabled increases with age.

—Cross-sectional data have shown that the likelihood of having a chronic illness increases with age. More than four out of five persons 65 and over have at least one chronic condition and multiple conditions are commonplace in elderly.

—Many psychiatric problems are not as common for older persons as for younger persons. However, the primary health problem of older age is cognitive impairment (which can be related to a number of sources, including Alzheimer's disease). A recent study has shown that 14 percent of the elderly have at least a mild form of cognitive impairment.
—Three out of four elderly die from heart disease, cancer, or stroke. Though heart disease has been declining, it remains the major cause of death today.
—Death rates, a statistical measure of the frequency of deaths in the population, reached an all-time low in 1983, increasing only slightly in 1985.
—"Informal supports," the help of friends, spouses, and other relatives provide valuable assistance to the elderly in the community. For instance, in 1984, relatives provided approximately 84 percent of all community care to disabled elderly men.
—Only about 5 percent of the elderly live in nursing homes at any given time. In 1985, an estimated 1.5 million elderly persons will reside in nursing homes.
—The elderly are the heaviest users of health services. They account for 30 percent of all hospital discharges and one-third of the county's personal health care expenditures even though they constitute only 12 percent of the population. Health care utilization is also greatest in the last year of life and among the old-old.
—Out-of-pocket health expenses for the elderly are now the same as they were prior to the enactment of Medicare and Medicaid. In 1984, the average out-of-pocket expenses to the elderly was $1,059 annually, or 15 percent of their income.
—Per capita spending for health care for the elderly was $4,202 in 1984.

Social characteristics:

—Most elderly men are married and live in a family setting, while most older women are widows. In 1985, 68 percent of women age 75-plus were widowed while 67 percent of the men in this age group were married. In 1984, 50 percent of women age 75-plus lived alone, while only 20 percent of men in the age category lived alone.
—The gap in educational attainment between the elderly and nonelderly is closing. In 1980, the proportion of the population age 55 to 64 years which had completed high school nearly equaled that of the younger population.
—In 1983, 75 percent of the households maintained by an older person were owner-occupied and about 80 percent of these were owned free and clear.
—The elderly increasingly tend to rent rather than own as they grow older.
—The elderly are most likely to live in older homes. In 1980, 40 percent of both elderly owners and elderly renters lived in housing structures built in 1939 or earlier, and 14 percent live in structures built between 1940 and 1949.
—Significant numbers of elderly persons live in inadequate housing and do not have telephones. In 1980, 1 out of 10 elderly

persons lived in homes infested with rats and mice, 30 percent lived in housing with bedrooms which lacked privacy, and almost 15 percent of male renters aged 65 to 69 were without telephones.

—The elderly and the near elderly are the most likely age groups to vote. Data for the 1980, 1982, and 1984 elections demonstrate that about one-third of all voters are age 55 or older.

Federal expenditures on the elderly:

—Federal spending on the elderly has nearly doubled since 1960. In 1986, 28 percent of the Federal budget, $270 billion, was of direct benefit to older Americans.

—In the future, rising health care costs will gradually overtake Federal spending for retirement income as the source of greatest increase in Federal spending on the elderly. Projections for 2030 indicate that spending, as a percent of GNP, will equal 6.3 percent for Social Security and disability payments, compared to 6.4 percent for Medicare financing and other Federal health care programs. In 1986, spending for Social Security and disability equaled 4.9 percent of GNP. Federal health spending was only 3 percent of GNP in 1986.

International comparisons:

—The United States has the third-largest elderly population (age 65+) and the largest "old-old" population (age 80+) in the world.

—The world is aging. In developed nations, the proportion of the population 65 and over is expected to as much as double over the next 40 years. By 2025, in most developed countries, one in five persons will be age 65 and older.

—Over the next 20 years (1985 to 2005) the United States will have one of the world's slowest growth rates in the young elderly population. In the subsequent 20 years (2005 to 2025), the United States will experience one of the most rapid rates of growth in its elderly population, as a result of the aging of the "baby boom" population.

—The longest life expectancy at birth is in Japan—77.1 years in 1985. Life expectancy in the United States—74.6 years—is about average for the developed world.

—The U.S. dependency ratio, or ratio of children and aged to working-age adults, in 1985 was about average for the developed world. By 2025 the total U.S. ratio is expected to be among the highest in the world, largely because of the rise in the proportion of elderly in the population.

—Americans are more likely to work after age 65 than those in most other developed nations—with the exception of the Japanese.

—Only one-third (35 percent) of the income of younger elderly families age 65 to 74 in the United States and Canada came from social insurance in 1979 to 1981, compared to half or more than half of the income of younger elderly families in some of the other developed countries.

—The poverty rates among the elderly in the United States, United Kingdom, and Israel are among the highest in the developed world.
—Like much of the rest of the developed world, the United States is expected to experience a low rate of growth in Government pension costs over the next 40 years.
—U.S. Government expenditures on medical care are expected to grow over the next 40 years at one of the most rapid rates in the developed world. The United States now spends one of the highest shares of its gross domestic product on medical care in the world.

The age group 65-plus is used most often in this report to represent the elderly population. While the attainment of age 65 no longer marks the point of retirement for most workers, it is the age of eligibility for full Social Security benefits and for Medicare coverage. Perhaps most importantly, 65 is the age traditionally used to demarcate the older population for many statistical analyses. The characteristics of this broad age group are, when possible, compared with those of persons in subgroups such as 55-plus, 75-plus, or 85-plus. Occasionally, the age groups 60-plus or 55-plus are used as descriptors of the "older" population for certain purposes. Unfortunately, the available data often limit the amount of age detail that can be presented.

Chapter 1

SIZE AND GROWTH OF THE OLDER POPULATION

The older population has increased far more rapidly than the rest of the population for most of this century. In the last two decades alone, the 65-plus population grew by 54 percent while the under-65 population increased by only 24 percent. Since 1960, an average of 149,000 persons a month have joined the ranks of the elderly.[1] This type of demographic change is unprecedented and bears one dramatic conclusion: America is growing older.

The following chapter looks at the impact of this aging trend on the population as a whole and on various subgroups within the 65-plus population. Please note that the projections presented in this section and throughout this report do not imply certainty about future events. They represent forecasts based on continued patterns from the past and assumptions about future trends in fertility, mortality, and net immigration.

A. 1985 AGE DISTRIBUTION

The Older Population Has Doubled in This Century as a Proportion of Total Population

At the beginning of this century, less than 1 in 10 Americans was 55 and over and 1 in 25 was age 65 and over. By 1985, 1 in 5 Americans was at least 55 years old and 1 in 9 was at least 65.

This century's dramatic increase in the number and proportion of older persons is reflected in the 1985 population estimates prepared by the U.S. Census Bureau. In 1985, there were an estimated 50.9 million Americans age 55 or older and 28.5 million who were at least age 65. About 9 percent (22.3 million) of the total population was 55 to 64 years old, 7 percent (17 million) was 65 to 74 years old, 4 percent (8.8 million) was 75 to 84 years old, and 1 percent (2.7 million) was about 85 years old and over (table 1-1).

[1] Soldo, Beth J. and Kenneth G. Manton. The Graying of America: Demographic Challenges for Socioeconomic Planning. The Journal of Socio-Economic Planning Sciences, 1984, in press.

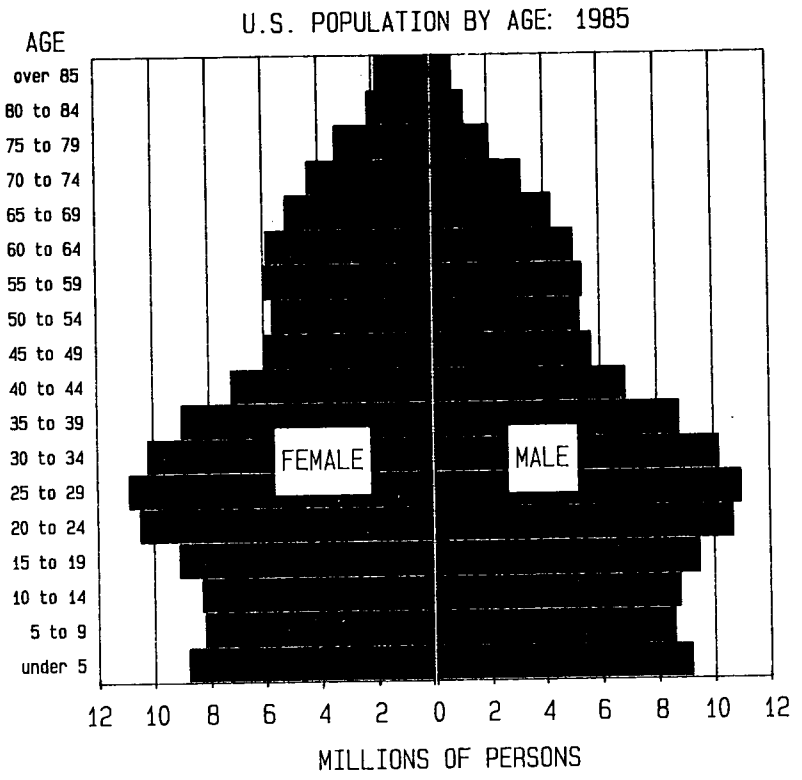
TABLE 1-1.—DISTRIBUTION OF THE POPULATION BY OLDER AGE GROUPS, 1985

Age group	Number	Percent
All ages	239,283,000	100
0 to 54	188,420,000	79
55 to 64	22,334,000	9
65 to 74	16,995,000	7
75 to 84	8,824,000	4
85-plus	2,711,000	1
55-plus	50,864,000	21
65-plus	28,530,000	12

Source: U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 985

Chart 1-1 displays the country's age distribution in 1985 and gives a glimpse into the future. The "baby-boom" generation (age 20 to 39) which dominates the picture, is the result of increased fertility after World War II—from 1946 to 1962. This generation will dominate the age distribution of the country well into next century. In fact, when this group begins to collect Social Security benefits in the early part of the 21st century, they will swell the ranks of the 65-plus generation to the point that one in five Americans will be elderly.

CHART 1-1



SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952

Chart 1-1 also provides a graphic representation (by 5-year age intervals) of the size of the older population in relation to the younger population. In 1985, the population over 55 was 21 percent of the total U.S. population and the elderly population, age 65-plus, was 12 percent.

The common assumption is that today's large numbers and proportion of older persons are caused by increased longevity. In fact, the rise in longevity explains only part of the increase. The primary cause is an increase in the annual number of births prior to 1920 and after World War II.[2] The aging of the pre-1920's group, along with a dramatic decline in the birth rate after the mid-1960's, has contributed to the rise in the median age of the U.S.

[2] Siegel, Jacob S. and Maria Davidson. Demographic and Socioeconomic Status of Aging in the United States. U.S. Bureau of the Census, Current Population Reports. Series P-23, No. 138. 1984.

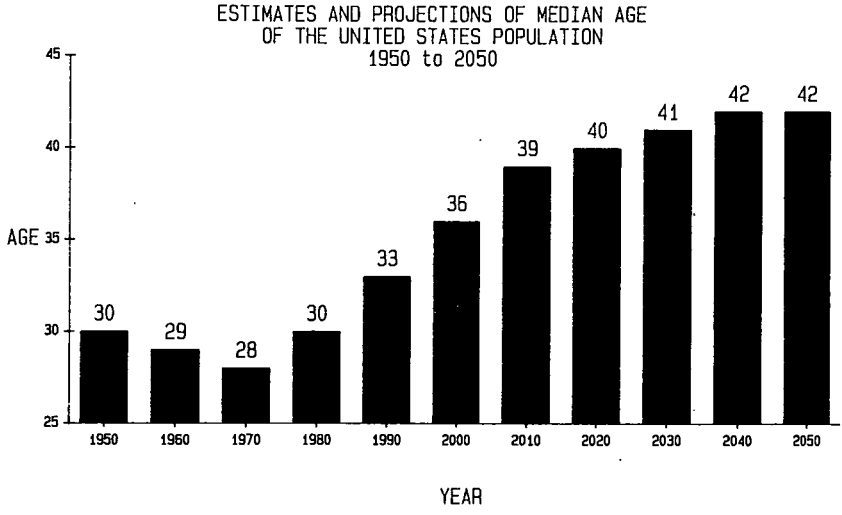
population from 28 in 1970 to 31.5 in 1985. A more than 3-year rise in the median age in 14 years is an historic demographic event.

(NOTE.—Unless otherwise noted, the statistics in this section on the size and growth of the population are estimates taken from: Spencer, Gregory; Projections of the Population of the United States, by Age, Sex and Race: 1983 to 2080; U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952: Middle Series Projections. Population estimates for the years prior to 1984 are from the Decennial Censuses of Population.)

THE GRAYING OF AMERICA WILL CONTINUE WELL INTO THE NEXT CENTURY WITH THE AGING OF THE BABY-BOOM

The projected growth in the older population will raise the median age of the U.S. population from 31.5 today to 36 by the year 2000 and to age 42 by the year 2050 (chart 1-2). Between 1985 and 2050 the total U.S. population is projected to increase by a third, while the 55-plus population is expected to more than double (table 1-2, chart 1-3). In fact, if current fertility and immigration levels remain stable, the only age groups to experience significant growth in the next century will be those past age 55.

CHART 1-2



SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952

The increase in the older population is expected to occur in two stages. Through the year 2000, the proportion of the population age 55 and over is expected to remain relatively stable, at just over one in five (22 percent). By 2010, because of the maturation of the baby boom, the proportion of older Americans is projected to rise dramatically; more than a quarter of the total U.S. population is expected to be at least 55 years old and one in seven Americans will be at least 65 years old. By 2050, one in three persons is expected to be 55 years or older and one in five will be 65-plus.

TABLE 1–2.—ACTUAL AND PROJECTED GROWTH OF THE OLDER POPULATION, 1900–2050

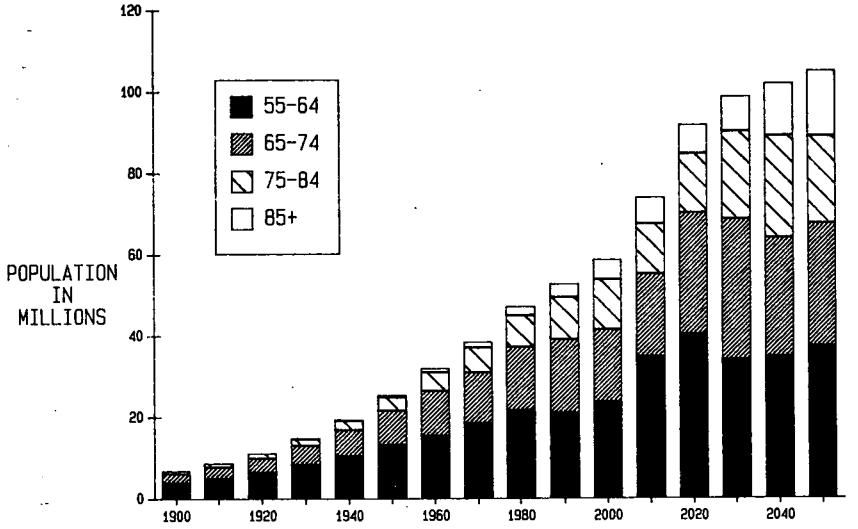
[Number in thousands]

Year	Total population all ages	55 to 64 years		65 to 74 years		75 to 84 years		85 years and over		65 years and over	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
1900	76,303	4,009	5.3	2,189	2.9	772	1.0	123	0.2	3,084	4.0
1910	91,972	5,054	5.5	2,793	3.0	989	1.1	167	.2	3,950	4.3
1920	105,711	6,532	6.2	3,464	3.3	1,259	1.2	210	.2	4,933	4.7
1930	122,775	8,397	6.8	4,721	3.8	1,641	1.3	272	.2	6,634	5.4
1940	131,669	10,572	8.0	6,375	4.8	2,278	1.7	365	.3	9,019	6.8
1950	150,967	13,295	8.8	8,415	5.6	3,278	2.2	577	.4	12,270	8.1
1960	179,323	15,572	8.7	10,997	6.1	4,633	2.6	929	.5	16,560	9.2
1970	203,302	18,608	9.2	12,447	6.1	6,124	3.0	1,409	.7	19,980	9.8
1980	226,505	21,700	9.6	15,578	6.9	7,727	3.4	2,240	1.0	25,544	11.3
1990	249,657	21,051	8.4	18,035	7.2	10,349	4.1	3,313	1.3	31,697	12.7
2000	267,955	23,767	8.9	17,677	6.6	12,318	4.6	4,926	1.8	34,921	13.0
2010	283,238	34,848	12.3	20,318	7.2	12,326	4.4	6,551	2.3	39,195	13.8
2020	296,597	40,298	13.6	29,855	10.1	14,486	4.9	7,081	2.4	51,422	17.3
2030	304,807	34,025	11.2	34,535	11.3	21,434	7.0	8,612	2.8	64,581	21.2
2040	308,559	34,717	11.3	29,272	9.5	24,882	8.1	12,834	4.2	66,988	21.7
2050	309,488	37,327	12.1	30,114	9.7	21,263	6.9	16,034	5.2	67,411	21.8

Sources: 1900–80 U.S. Bureau of the Census, Decennial Censuses of Population. 1990–2050: U.S. Bureau of the Census. Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080 Current Population Reports. Series P–25, No. 952. May 1984. Projections are middle series.

CHART 1-3

POPULATION 55 YEARS AND OVER BY AGE: 1900-2050



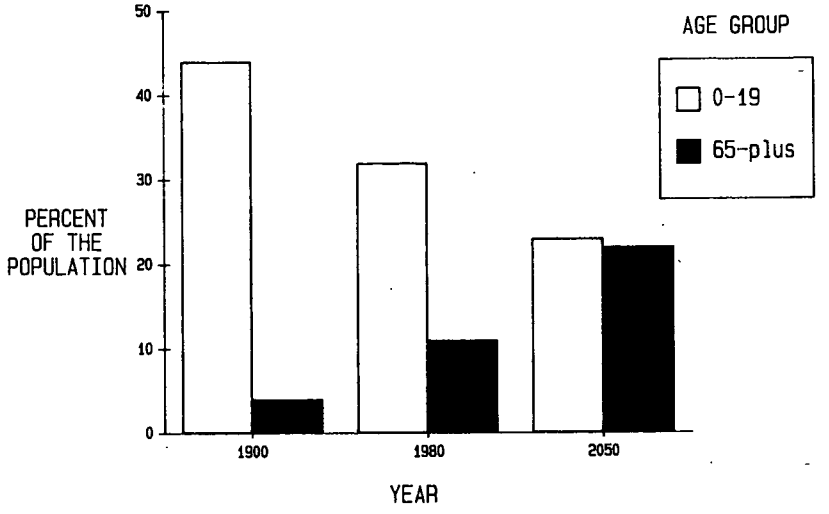
SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952
U.S. Census of the Population, 1890-1980

One of the most dramatic examples of the changing age distribution of the American population is the shift in the proportion of elderly in relation to the proportion of young persons (chart 1-4). In 1900, 4 percent of the population was age 65 and over while young persons, age 0 to 19 years, made up 44 percent of the population.

By 1980, the proportion of the 65-plus persons had increased to 11 percent and proportion of young persons had decreased to 32 percent. U.S. Census Bureau forecasts predict that, by the middle of the next century, the proportion of young persons and elderly will be almost equal, with persons 0 to 19 years equaling 23 percent and the elderly equaling 22 percent of the population.

CHART 1-4

ACTUAL AND PROJECTED DISTRIBUTION OF CHILDREN AND ELDERLY IN THE POPULATION

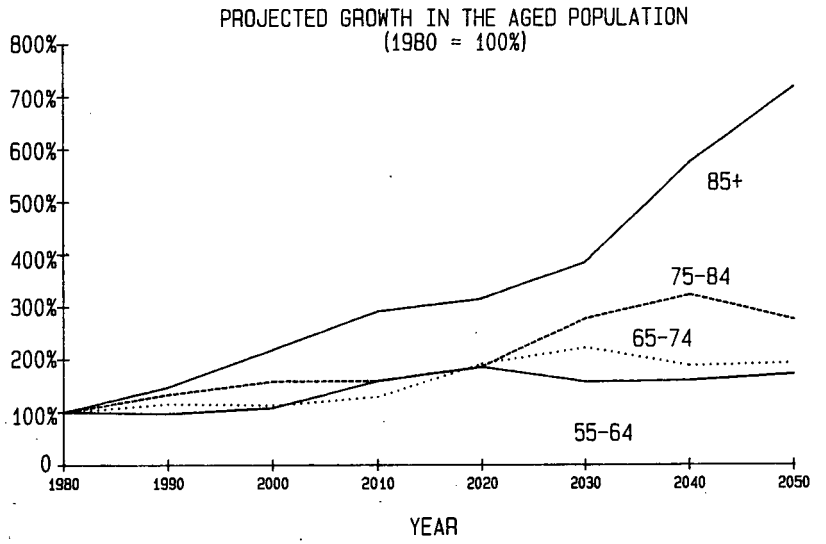


SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952 Census of the Population, 1900

The 85-Plus Population Is One of the Fastest Growing Age Groups

The 85-plus population is one of the fastest growing age groups in the country. Chart 1-5 displays the growth of the 85-plus population in relation to three older age groups. This part of the population is also expected to triple in size between 1980 and 2020 and to be seven times as large in 2050 as in 1980 (table 1-2). While the increase in the "oldest-old" population is one of the major achievements of improved disease prevention and health care in this century, it has far-reaching implications for public policy because of the high probability of health problems and need for health and social services for this age group.

CHART 1-5



SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952

Life expectancy at age 85 has increased 24 percent since 1960 and is projected to increase another 44 percent by 2040.[3]

Between 1985 and 2050, the population aged 85 and over is expected to jump from about 1 percent to over 5 percent of the total population and from 9 percent to 24 percent of the 65-plus population.

More people are also surviving into their 10th and 11th decades. The 1980 census counted 163,000 persons 95-plus compared to 45,000 when the census was taken in 1960. And in the 1980's, 210 Americans are celebrating their 100th birthday every week. Because of the increase in the very old population, it is increasingly likely that older persons will themselves have a surviving parent. Four and five-generation families are becoming more common.

The Elderly Population Is Growing Older

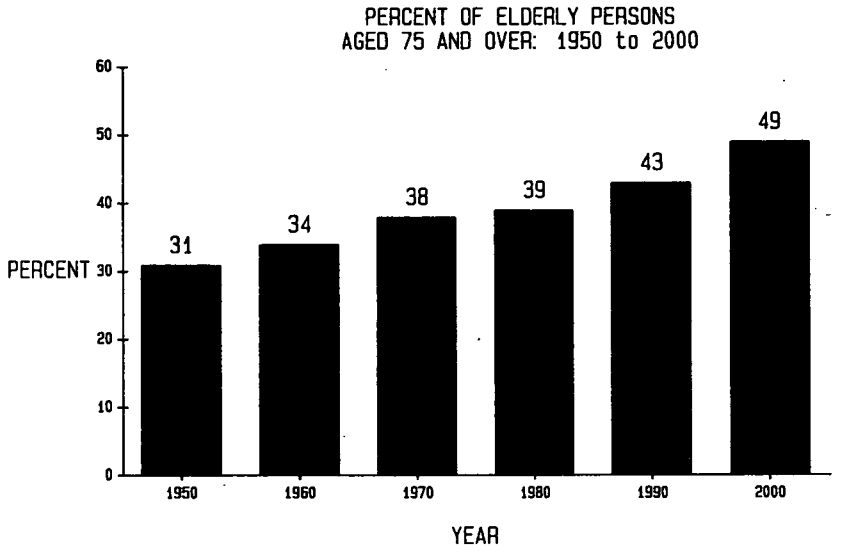
With increases in the number of people surviving into the upper age ranges, the elderly population is growing older. In 1980, the young-old (age 65 to 74) outnumbered the oldest-old (age 75 or older) by three to two.

In 1985, there were 9 percent more 65-to-74-year-olds than in 1980, 14 percent more 75-to-84-year-olds, and 21 percent more per-

[3] Soldo and Manton. The Graying of America: Demographic Challenges for Socioeconomic Planning.

sons 85 and over. By the turn of the century, half of the elderly population are expected to be age 65 to 74 and half will be age 75 or older (table 1-2 and chart 1-6).

CHART 1-6



SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952 Decennial Censuses of the Population, 1950-1980

B. RACE AND ETHNICITY

The Nonwhite Population Has a Smaller Proportion of Elderly Persons Than the White Population

Today, the nonwhite population (black and other) has a smaller proportion of elderly than the white population (table 1-3). In 1985, 13 percent of whites were age 65 and over compared to only 7 percent of nonwhites. The difference is a result of higher fertility and higher mortality below the age of 65 for the nonwhite population than the white population.

These proportions are expected to remain relatively stable over the next couple of decades. However, beginning in the early part of the next century, the proportion of elderly persons is expected to increase at a higher rate for the nonwhite population than for the white population. By 2025, the elderly portion of the nonwhite population is expected to increase by 75 percent compared to a 62-percent increase for the white population. And from 2025 to 2050, the proportion of elderly within the nonwhite population is projected to increase another 29 percent compared to a 10-percent increase for the white population.

Elderly Whites Disproportionately Outnumber Elderly Nonwhites

Whites are disproportionately represented in the elderly population. In 1985, 90 percent of the 65-plus population were white and 10 percent were nonwhite, while in the total population, 85 percent were white and 15 percent were nonwhite (table 1–3). In the next century, the nonwhite portion of the elderly population is expected to grow. By 2025, 15 percent of the elderly population is expected to be nonwhite and by 2050 this figure is expected to reach 19 percent.

TABLE 1–3.—POPULATION BY RACE AND AGE, 1985

	Number			Age distribution by race (percent)			Race distribution by age (percent)		
	Total	White	Black and other	Total	White	Black and other	Total	White	Black and other
0 to 54	188,419	157,622	30,796	79	78	85	100	84	16
55 to 64	22,334	19,794	2,540	9	10	7	100	89	11
65 to 74	16,995	15,249	1,747	7	8	5	100	90	10
75 to 84	8,824	8,020	804	4	4	2	100	91	9
85-plus	2,711	2,475	237	1	1	1	100	91	9
All ages	239,283	203,159	36,124	100	100	100	100	85	15
55-plus	50,864	45,538	5,328	21	22	15	100	90	10
65-plus	28,530	25,744	2,788	12	13	8	100	90	10

Source: U.S. Bureau of the Census, Estimates of the Population of the United States, by Age, Sex, and Race: 1980 to 1985. Series P–25, No. 985.

Percents may not add to 100 due to rounding.

C. SEX RATIOS

Older Women Outnumber Older Men

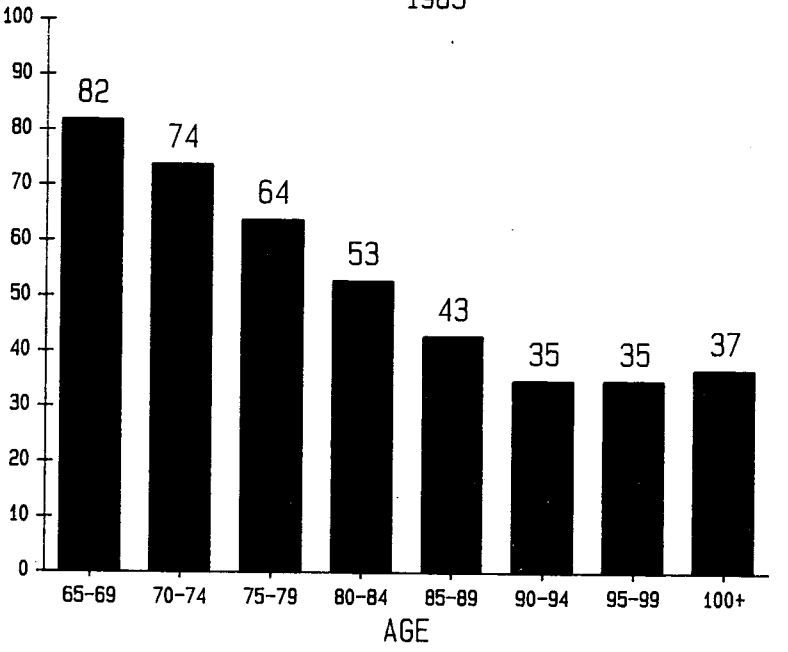
The ratio of females to males varies dramatically with age. In the under 20 age group, for instance, there were 34.5 million women versus 36.1 million men in 1985. The 30 to 34 year age group was evenly balanced at about 10.2 million each. But, for the 65-plus age group there were 17 million women and 11.5 million men.

Elderly women now outnumber elderly men three to two, a considerable change from 1960 when the ratio of elderly females to elderly males was five to four.

This disparity becomes more marked in the upper age ranges. In 1985, there were 82 men between 65 and 69 years for every 100 women in that same age group. Among those 85 and over, there were only 40 men for every 100 women (chart 1–7). These statistics reflect the fact that, on the average, women live longer than men and, therefore, are more likely to end up living alone. Because of these factors, elderly women average a longer period of retirement than elderly men.

CHART 1-7

NUMBER OF MEN PER 100 WOMEN BY ELDERLY AGE GROUP
1985



SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 985, April 1986.

D. SUPPORT RATIO

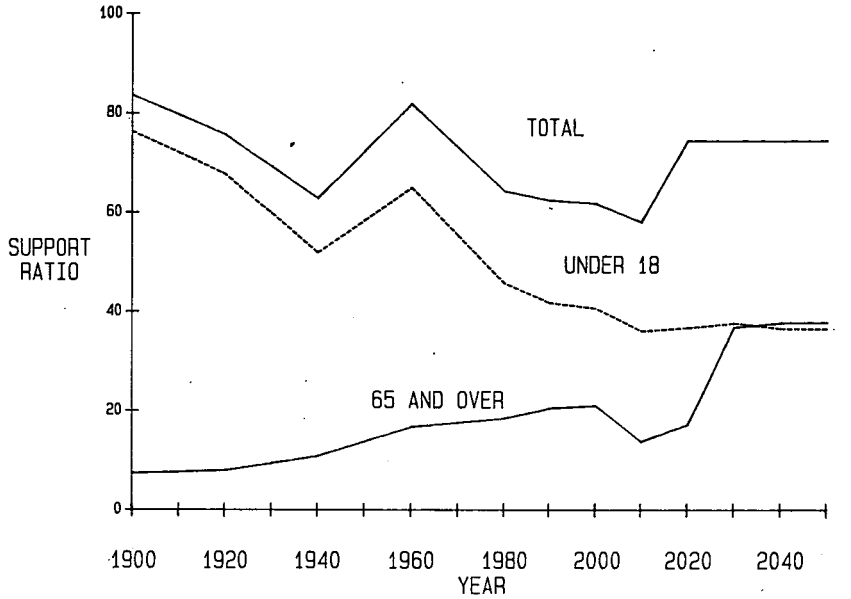
The Ratio of Elderly to Working Age Persons Is Increasing Dramatically

The fact that people are living longer and families are having fewer children is changing the shape of the "elderly support ratio" (the number of 65-plus persons to persons of working age, 18 to 64 years). The average family in the early 1900's had four children; today, the average family has only two children. This factor combined with the fact that average life expectancy has advanced by 26 years since 1900 is resulting in growth in the ratio of elderly persons compared to persons of working age (chart 1-8 and table 1-4). In 1900, there were about 7 elderly persons for every 100 persons of working age; in 1985, this ratio was about 19 elderly persons per 100 of working age. By 2020, the ratio will rise to about 29

per 100 and is expected to increase rapidly to 38 per 100 by 2050 (chart 1-8 and table 1-4).

CHART 1-8

YOUNG, ELDERLY AND TOTAL SUPPORT RATIOS FOR 1900-2050



SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952

TABLE 1-4.—YOUNG, ELDERLY AND TOTAL SUPPORT RATIOS, 1900-2050

Year	Aged	Young	Total
1900	7.4	76.3	83.6
1920	8.0	67.7	75.7
1940	10.9	51.9	62.8
1960	16.8	65.1	82.0
1980	18.6	45.8	64.4
1990	20.6	41.9	62.5
2000	21.1	40.7	61.8
2010	21.9	36.2	58.1
2020	28.7	36.9	65.6
2030	37	37.8	74.8
2040	37.9	36.7	74.6
2050	38	36.6	74.6

Source: U.S. Bureau of the Census, Decennial Census, 1980 and Projections of the Population of the United States by Sex and Race; 1983 to 2050: Series P-25, No. 952.

The support ratio is important in economic terms because the working population can be thought of as supporting nonworking age groups. However, a "support" or dependency ratio is a crude measure since many younger and older persons are in the labor force and not dependent while many persons of labor force age may

not be working. Dramatic changes in fertility rates could also shift projections. Although the total support ratio (young and old combined) is expected to increase in the next century, it has declined substantially since 1900. This would suggest that fewer economic demands are currently placed on working age Americans for supporting the young and the old.

From a public policy standpoint, however, the decline in the total support ratio, caused by a large decline in the number of children, masks the rise in the elderly support ratio. This is an important distinction because it is primarily publicly funded programs which serve the elderly while mostly private (i.e., family) funds are directed toward support of the young. Nonetheless, the increasing demands on public programs caused by a burgeoning elderly population are, in large part, offset by declining demands on private funds for supporting children.

E. LIFE EXPECTANCY

The Upward Trend in Life Expectancy is Continuing

The average expectation of life at birth reached a record high in 1985. This increase continues a remarkable upward trend in life expectancy since the beginning of the century. The greatest gains occurred during the first half of the century largely due to dramatic reductions in deaths from infectious disease. A baby born in 1900 could expect to live an average of 47.3 years, while a baby born in 1985 could expect to live 74.7 years (table 1–5). Although in the early part of this century, increases in life expectancy were due to decreases in deaths of infants and children, most of the increasing life expectancy since 1970 has been due to decreased mortality among the middle-aged and elderly population.

TABLE 1–5.—LIFE EXPECTANCY AT BIRTH AND AT AGE 65 BY RACE AND SEX, 1981–85

	All Races			White			Black		
	Both sexes	Male	Female	Both sexes	Male	Female	Both sexes	Male	Female
At birth:									
1981	74.2	70.4	77.8	74.8	71.1	78.4	68.9	64.5	73.2
1982	74.5	70.9	78.1	75.1	71.5	78.7	69.4	65.1	73.7
1983	74.6	71.0	78.1	75.2	71.7	78.7	69.6	65.4	73.6
1984	74.7	71.1	78.3	75.3	71.8	78.8	69.7	65.5	73.7
1985[1]	74.7	71.2	78.2	75.3	71.8	78.7	69.5	65.3	73.7
At age 65:									
1981	16.7	14.3	18.6	16.7	14.4	18.7	15.5	13.4	17.3
1982	16.8	14.5	18.7	16.9	14.5	18.8	15.7	13.5	17.5
1983	16.7	14.5	18.6	16.8	14.5	18.7	15.5	13.4	17.3
1984	16.8	14.5	18.7	16.9	14.6	18.8	15.6	13.4	17.5
1985 [1]	16.8	14.6	18.6	16.8	14.6	18.7	15.5	13.3	17.2

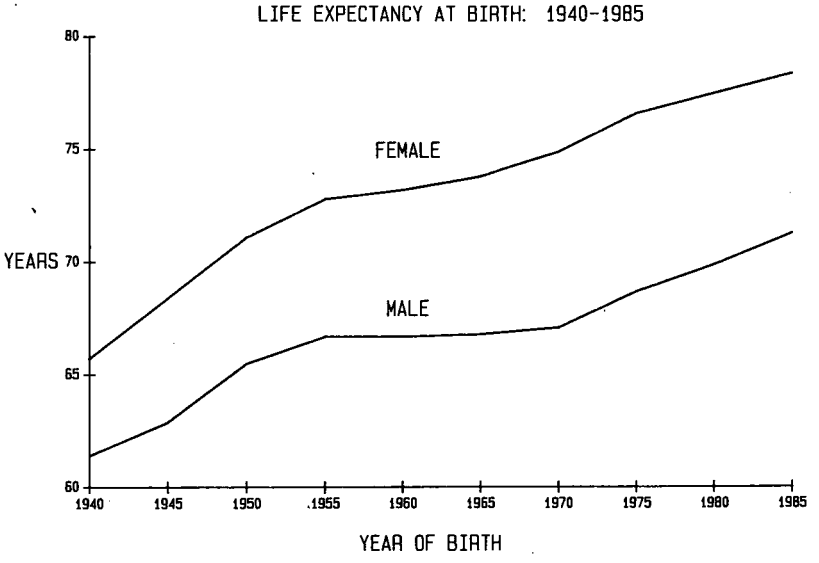
[1] Provisional data.

Source: National Center for Health Statistics: Health, United States, 1985. DHHS Pub. No. (PHS) 86–1232, Dec. 1985. NCHS: unpublished data.

The Gap in Female/Male Life Expectancy Appears To Be Decreasing

Throughout this century, improvement in the years an individual can expect to live has been more significant for women than for men (chart 1-9 and table 1-6). For instance, from 1950 to 1980, life expectancy at birth for the total population advanced by 5.5 years. For women, however, life expectancy at birth advanced by about 6.3 years; men advanced by only 4.4 years. Now, however, the gap in female/male life expectancy appears to be decreasing slightly. Between 1981 and 1985, life expectancy for males at birth increased by eight-tenths of a year, slightly more than the four-tenths of a year gain for females. The female/male differential in life expectancy was 7.1 years in 1985, as compared to 7.6 years in 1980 and 7.8 years in 1970.

CHART 1-9



SOURCE: Social Security Administration; Social Security Area Population Projections, 1986; Actuarial Study No. 97, Alternative II

TABLE 1–6.—LIFE EXPECTANCY AT BIRTH AND AGE 65 BY SEX AND CALENDAR YEAR, 1900–2050

	Male		Female	
	At birth	At age 65	At birth	At age 65
1900	46.4	11.3	49.0	12.0
1905	48.7	11.4	51.9	12.0
1910	50.1	11.4	53.6	12.1
1915	53.5	11.4	56.8	12.2
1920	54.5	11.8	56.3	12.3
1925	57.2	11.6	59.9	12.5
1930	58.0	11.8	61.3	12.9
1935	59.4	11.9	63.3	13.2
1940	61.4	11.9	65.7	13.4
1945	62.9	12.6	68.4	14.4
1950	65.6	12.8	71.1	15.1
1955	66.7	13.1	72.8	15.6
1960	66.7	12.9	73.2	15.9
1965	66.8	12.9	73.8	16.3
1970	67.1	13.1	74.9	17.1
1975	68.7	13.7	76.6	18.0
1980	69.9	14.0	77.5	18.4
1985	71.3	14.4	78.4	18.8
1990	72.4	14.9	79.5	19.4
1995	73.3	15.3	80.4	19.9
2000	73.9	15.6	81.0	20.3
2005	74.3	15.8	81.3	20.6
2010	74.6	16.0	81.6	20.8
2015	74.8	16.2	81.9	21.1
2020	75.1	16.3	82.2	21.3
2025	75.4	16.5	82.5	21.5
2030	75.6	16.7	82.8	21.8
2035	75.9	16.9	83.1	22.0
2040	76.1	17.1	83.4	22.2
2045	76.4	17.3	83.7	22.5
2050	76.6	17.4	84.0	22.7

Source: Social Security Administration; Social Security Area Population Projections, 1986; Actuarial Study No. 97, Alternative II.

Americans who reached their 65th birthdays in 1985 could expect, on average, to live another 16.8 years. Since 1900, life expectancy at age 65 has advanced significantly. Although life expectancy at birth showed greater increases in the first half of the century than life expectancy at age 65, in recent years, life expectancy at age 65 has been increasing more rapidly. According to estimates from the Social Security Administration (SSA), elderly men gained 3.1 years from 1900 to 1985 and elderly women gained 6.8 years. SSA's projections for the future suggest that elderly men can expect to gain an additional 3 years by the year 2050, while women could expect to gain an additional 3.9 years.

Life Expectancy for Blacks Is Growing

Life expectancy at birth differs according to race, with whites living longer than blacks. However, this gap is also narrowing. In 1950, life expectancy at birth for whites was more than 8 years longer than for blacks. In 1985, the difference was 5.8 years. From 1981 to 1985, the black population showed an increase of six-tenths a year in life expectancy, compared to five-tenths a year for the white population. Differences in life expectancy by race at age 65, however, are smaller in terms of number of years and have been

for decades. In 1985, at age 65, blacks could expect to live 15.5 more years, 1.3 years less than whites at that age. However, in relative terms, white life expectancy both at birth and at age 65 is about 8 percent higher than black life expectancy. This relationship reverses in later years. In fact, life expectancy is higher for blacks after age 80 than for whites.

White Women Live the Longest

A significant hierarchy is evident for life expectancy of males and females by race. White females have the highest life expectancy at birth, followed by black females, white males, then black males. The largest recent gain in life expectancy has been for black females. From 1970 to 1985, black females gained 5.4 years, black males 5.2 years, white males 3.8 years and white females 3.1 years.

F. VETERANS

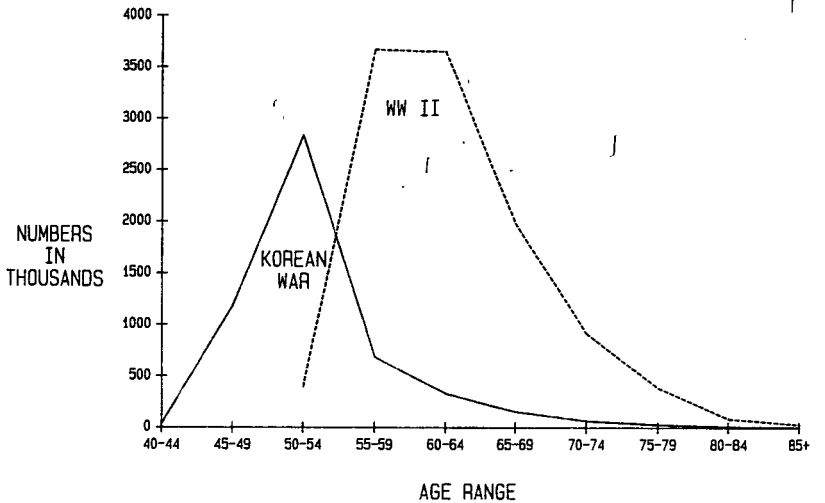
Two-Thirds of All Elderly Men Will be Veterans by 2000

Although the total veteran population is expected to decrease over the next five decades, the number and proportion of older veterans is increasing. This will result in considerable strain on the Veteran's Administration health care system as large numbers of veterans age. In 1980, more than one in four of all American men 65 and over were veterans, or 27 percent. By the year 2000, close to two-thirds, 63 percent, of all elderly males will be veterans and eligible for benefits. This change is temporary, however. The proportion of veterans in the 65-plus male population will actually decrease after the turn of the century—by 2010 only half of elderly males will be veterans; by 2020 only slightly over one-third will be veterans.

In 1986, there were 5.507 million veterans age 65 plus, 19.9 percent of all veterans. The number of veterans is correlated with periods of armed conflict. Chart 1-10 displays the "waves" of veterans according to their period of wartime service. (This chart does not include peacetime veterans.) By the year 2000, there are expected to be 9 million elderly veterans. This number will drop back to 8.1 million in 2010 and 7.8 million in 2020.

CHART 1-10

ESTIMATED NUMBER OF WARTIME VETERANS
BY AGE AND PERIOD OF SERVICE
MARCH 1983



SOURCE: Veterans Administration; Caring for the Older Veteran; July 1984

Over 95 percent of all veterans are males. Due to the relatively large number of women serving in World War II and the Korean conflict, the number of aged female veterans is expected to grow, doubling by the year 2000 from 1980 levels. However, current projections estimate that only 4.4 percent of aged veterans will be females. After the year 2000, the number of female veterans is expected to decrease temporarily only to steadily increase again after the year 2015 as women who served during the Vietnam war and the post-Vietnam era reach old age.

The number and proportion of veterans age 75-plus are also expected to increase. Today, 20 percent of all elderly veterans are age 75 and over. By the year 2000, 44 percent will be in this age group. This proportion is expected to increase gradually so that by 2020 almost half, 47 percent, of all veterans will be 75-plus.

G. GEOGRAPHIC DISTRIBUTION AND MOBILITY

Over Half of the Country's Elderly Live in Eight States

In 1985, almost half of the country's older population lived in eight States: California, New York, Florida, Pennsylvania, Texas, Illinois, Ohio, and Michigan. Each of these States had over a million persons age 65-plus (table 1-7). In comparison, some States had very small older populations. Alaska, for instance, had the smallest number of elderly persons in 1985, about 3 percent of its total population (17,000). However, Alaska, along with Nevada, also experi-

enced the largest increases—over 40 percent—in their elderly populations between 1980 and 1985.

Sixteen out of 21 northern States had percentages of elderly above the national average, while only 9 out of 29 southern and western States were above the national level.

TABLE 1–7.—GROWTH OF EACH STATE'S ELDERLY POPULATION: 1970–80 AND 1980–85

[Numbers in thousands]

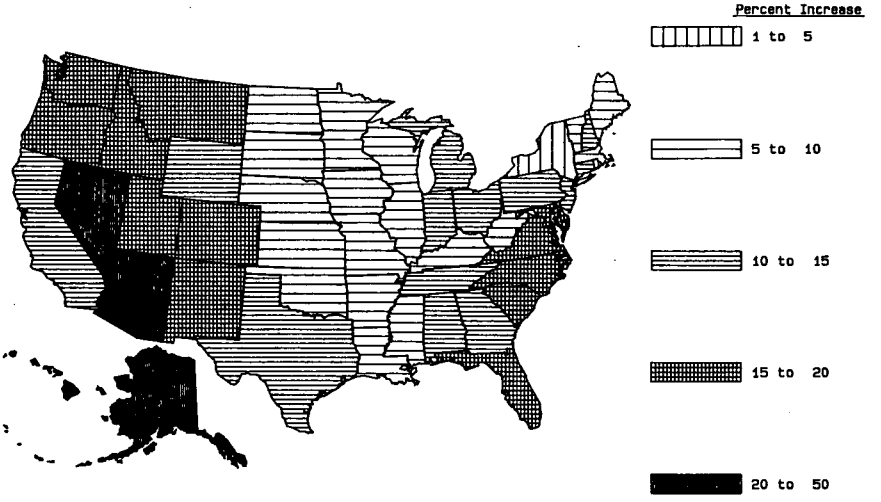
State	1980 all ages, number	1980: 65 plus		1985: 65 plus		1985 Rank (based on percent)	Percent increase in population 65 plus	
		Number	Percent	Number	Percent		1970–79	1980–85
Alabama	3,894	440	11.3	487	12.1	24	35.0	10.7
Alaska	402	12	2.9	17	3.2	51	67.7	45.8
Arizona	2,718	307	11.3	392	12.3	21	90.4	27.5
Arkansas	2,286	312	13.7	338	14.3	4	31.4	8.2
California	23,668	2,414	10.2	2,766	10.5	38	34.1	14.6
Colorado	2,890	247	8.6	285	8.8	48	31.6	15.4
Connecticut	3,108	365	11.7	413	13.0	14	26.3	13.3
Delaware	594	59	10.0	70	11.2	36	35.0	18.0
D.C.	638	74	11.6	76	12.1	23	4.9	2.3
Florida	9,746	1,688	17.3	2,001	17.6	1	70.6	18.6
Georgia	5,463	517	9.5	594	9.9	43	40.6	14.9
Hawaii	965	76	7.9	99	9.4	47	72.4	29.6
Idaho	944	94	9.9	109	10.9	37	38.2	16.8
Illinois	11,427	1,262	11.0	1,368	11.9	26	15.4	8.4
Indiana	5,490	585	10.7	645	11.7	31	18.5	10.2
Iowa	2,913	388	13.3	413	14.3	5	10.7	6.5
Kansas	2,364	306	13.0	326	13.3	10	15.1	6.5
Kentucky	3,661	410	11.2	444	11.9	28	21.5	8.3
Louisiana	4,206	404	9.6	441	9.8	44	31.8	9.1
Maine	1,125	141	12.5	153	13.2	12	23.0	8.9
Maryland	4,217	396	9.4	458	10.4	39	32.0	15.8
Massachusetts	5,737	727	12.7	783	13.4	9	14.2	7.8
Michigan	9,262	912	9.9	1,022	11.2	35	21.2	12.0
Minnesota	4,076	480	11.8	522	12.5	19	17.3	8.9
Mississippi	2,521	289	11.5	310	11.9	27	30.1	7.2
Missouri	4,917	648	31.2	687	13.7	6	15.6	6.0
Montana	787	85	10.8	98	11.8	29	23.0	15.4
Nebraska	1,570	206	13.1	217	13.5	8	12.1	5.3
Nevada	800	66	8.2	93	9.9	42	112.3	41.4
New Hampshire	921	103	11.2	116	11.6	32	31.3	12.8
New Jersey	7,365	860	11.7	954	12.6	18	23.4	10.9
New Mexico	1,303	116	8.9	139	9.6	45	64.2	19.6
New York	17,558	2,161	12.3	2,254	12.7	16	10.2	4.3
North Carolina	5,882	603	10.2	708	11.3	34	45.7	17.4
North Dakota	653	80	12.3	87	12.7	17	21.2	8.2
Ohio	10,798	1,169	10.8	1,296	12.1	25	17.2	10.8
Oklahoma	3,025	376	12.4	405	12.3	20	25.5	7.7
Oregon	2,633	303	11.5	354	13.2	13	33.8	16.6
Pennsylvania	11,864	1,531	12.9	1,698	14.3	3	20.3	10.9
Rhode Island	947	127	13.4	139	14.4	2	22.1	9.8
South Carolina	3,122	287	9.2	342	10.2	41	50.5	19.2
South Dakota	691	91	13.2	97	13.7	7	13.1	6.9
Tennessee	4,591	518	11.3	576	12.1	22	34.8	11.2
Texas	14,229	1,371	9.6	1,538	9.4	46	38.2	12.2
Utah	1,461	109	7.5	130	7.9	50	40.8	19.1
Vermont	511	58	11.4	63	11.8	30	22.5	8.4
Virginia	5,346	505	9.5	587	10.3	40	38.1	16.2
Washington	4,132	432	10.4	505	11.4	33	34.0	17.0
West Virginia	1,950	238	12.2	257	13.3	11	22.3	8.2
Wisconsin	4,705	564	12.0	617	12.9	15	19.3	9.3
Wyoming	470	37	7.9	42	8.3	49	23.1	13.1

* Based on unrounded numbers.

Source: U.S. Bureau of the Census, State Population and Household Estimates to 1985, With Age and Components of Change. Current Population Report, Series P–25, No. 998.

CHART 1-11

PCT INCREASE IN POPULATION 65+: 1980-85



SOURCE: U.S. Bureau of the Census, Current Population Report, Series P-25, No. 998

Most States had at least a 50-percent increase in the number of persons 85 and over between 1970 and 1980 while Arizona, Florida, and Nevada experienced more than a doubling in the size of their 85-plus population. During this decade, Nevada experienced the largest increase of persons 65 and over, 113 percent, and New York, the smallest, 10.8 percent (see chart 1-11 and table 1-7).

Florida's elderly population grew by the largest amount (313,000) in the 1980's and has the largest proportion of residents age 65-plus. In fact, the proportion of elderly in Florida—17.6 percent—is close to the proportion expected nationally in the year 2020. Florida is also the Nation's oldest State with a median age of 34.7 in 1980 as compared with the youngest State, Utah, with a median age of 24.4.

Houston, TX, was the metropolitan area with the smallest percentage of elderly in 1980, with less than 7 percent. In absolute numbers, only the New York metropolitan area had over 1 million elderly residents.

(NOTE.—Unless otherwise noted, statistics in this chapter on the geographic distribution of the elderly in 1980 are from the U.S. Bureau of Census, 1980 Decennial Census of the Population. Statistics for growth from 1980 to 1985 are from the Bureau of the Census.)

OLDER PERSONS CHANGE RESIDENCES LESS OFTEN THAN YOUNGER PERSONS

Today's older generation tends to remain where they have spent most of their adult lives. For both adults and children, rates of

moving decline with increasing age. The highest rate of moving is among adults in their early twenties. Between 1982 and 1983, only 4.9 percent of older persons moved, compared to 34.5 percent of 20- to 24-year-olds and 16.6 percent of persons of all ages.[4]

As a result of younger people moving away and older people staying, some areas of the country are becoming "grayer." There are now over 500 rural and small town counties in which persons 65 and over make up at least 16 percent of the total pupulation; in 178 counties the elderly make up over 20 percent of the total population. Over half of these counties, especially in the Nation's heartland, are agricultural areas where the older population has stayed on while the younger generation has moved out. Heavy out-migration of the young and relatively low fertility have contributed to a high proportion of elderly in such States as Iowa, Kansas, Missouri, Nebraska, South Dakota, Arkansas, Maine, Massachusetts, Rhode Island, and Pennsylvania.

In 1980, for the First Time, a Greater Number of 65-Plus Persons Lived in the Suburbs Than in the Central Cities

The growth of the suburban elderly population has touched every major region of the United States. According to results of a nationwide sample of 2,300 suburbs, the average suburban population in 1980 was 11.8 percent elderly.[5] For the first time, in 1980, a greater number of older persons lived in the suburbs (10.1 million) than in central cities (8.1 million). Older persons found disproportionately in suburbs which were established before World War II. These older suburbs also have lower average resident income levels, more rental housing, lower home values, and higher population densities.

(Note.—Statistics describing the graying of the suburbs should not be confused with those that document that more elderly live in metropolitan areas than nonmetropolitan (primarily rural) areas. Generally, most suburbs are included in metropolitan statistics making interpretation difficult. For instance, according to the 1980 census, almost two-thirds of the elderly lived in "metropolitan areas"—many of which include outlying areas that are defined as suburbs by other measures.)

Those Seniors Who Move Tend To Migrate to the Sun Belt

Other parts of the country—such as the Sunbelt States—are also experiencing an aging of their population due to the migration of older persons during their early retirement years. These retirees are following a general migration pattern occuring throughout the country (see chart 1-12 and table 1-8).

Between 1980 and 1985 the increase in the elderly population continued to be more rapid in the South and West. But elderly growth rates were the most notable in the Midwest and Northeast because of an extremely slow growth rate among the elderly.

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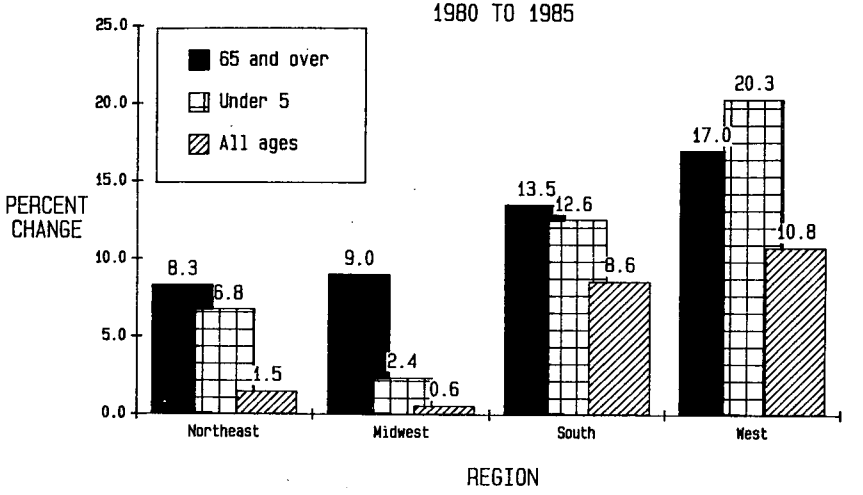
[4] U.S. Bureau of the Census. Prepared by Cynthia M. Taeuber. America in Transition: An Aging Society. Series P-23, No. 128.

[5] Logan, John R. The Graying of the Suburbs. Aging. 1984

CHART 1-12

PERCENT CHANGE IN POPULATION OF SELECTED AGE GROUPS BY REGION 1980 TO 1985



SOURCE: U.S. Bureau of the Census. Current Population Reports, Series P-25, No. 998

TABLE 1-8.—PERCENT CHANGE IN POPULATION OF SELECTED AGE GROUPS, BY REGION: 1980 TO 1985

[In thousands]

Region	All ages			Under 5			65 and over		
	1980	1985	Percent change	1980	1985	Percent change	1980	1985	Percent change
Northeast	49,135	49,859	1.5	3,103	3,313	6.8	6,072	6,573	8.3
Midwest	58,866	59,197	0.6	4,380	4,485	2.4	6,692	7,297	9.0
South	75,372	81,858	8.6	5,542	6,241	12.6	8,488	9,632	13.5
West	43,172	47,826	10.8	3,323	3,998	20.3	4,298	5,028	17.0

Source: Bureau of the Census, State Population and Household Estimates to 1985, With Age and Components of Change. Series P-25, No. 998.

The number of older persons who reported migrating from State to State was 50 percent higher in the 1970's than in the 1960's, according to estimates from the Retirement Migration Project, using data from the U.S. Bureau of the Census. Of the nearly 1.7 million Americans over the age of 60 who moved out-of-State during the second half of the 1970's, nearly half went to either Florida, California, Arizona, Texas, or New Jersey. Three States had an especially large increase in the numbers of older immigrants between 1960 and 1980: Arizona showed a 215-percent increase, Texas a 191-percent increase, and Florida a 110-percent increase. Florida captured over one-quarter of all the interstate migrants over age 60 during the last two decades. New York is the top contributor of el-

derly State-to-State movers while California is second, Illinois third, and Florida and New Jersey fourth and fifth.

Older persons who move to another State are relatively affluent, well-educated, and are frequently accompanied by a spouse. Many older persons who move to nonmetropolitan areas are motivated by positive images of rural or small town life or negative views of metropolitan life. Most have pre-existing ties to the new area, such as family, friends, or property.

(NOTE.—Data in this section on elderly migration are taken from The Retirement Migration Project; The Center for Social Research in Aging; The University of Miami; September 1984.)

SOME SUN BELT RETIREES "COUNTERMIGRATE" TO THEIR HOME STATES

There is also recent evidence of a new trend called "countermigration" in which a small number of older people, who move to another State at retirement, are moving back home or to a State where family members live. Though this trend is relatively small in absolute numbers, it is statistically significant.

Findings from the Retirement Migration Project show that Florida lost significant numbers of elderly migrants to States outside the Sun Belt—namely Michigan, New York, Ohio, and Pennsylvania, all States which also send migrants to Florida. For example, 56 percent of the more than 9,000 residents of Florida who moved to New York in the 1970's had been born in New York. The average age of these countermigrants was 73 years. This was more than double the number who moved to New York from Florida during the previous decade. Another Sun Belt State, California, also lost migrants to other areas—but not to States which generally lose large numbers to California. Those leaving the Sun Belt are more likely to have income below the poverty line, and many are disabled or are living in institutions or homes for the aged.

Chapter 2

ECONOMIC STATUS

Older Americans as a group have a lower economic status than other adults in our society. This largely results from changes in status often associated with aging: Retirement from the work force, the death of a spouse, or a decline in health. In retirement, the elderly lose earnings and become reliant instead upon Social Security benefits supplemented with pensions and the assets they have accumulated over their own lifetimes. With limited potentials to improve their income through their own work, the elderly become economically vulnerable to circumstances over which they have no control: The loss of a spouse, deterioration of their health and self-sufficiency, Social Security and Medicare legislation, and inflation.

In recent years, there has been a growing perception that the economic status of the elderly as a group has improved significantly, and that they now have economic resources approximating those of the younger working population. Counting cash income alone, there remains a substantial discrepancy between the young and the old. However, the elderly have economic benefits and resources other than cash which enable them to meet their needs in retirement. If all of these additional resources could be converted to a cash value, the economic status of the elderly as a group would be closer to that of the nonelderly.

However, the economic status of the elderly is far more varied than that of any other age group. While some older persons have substantial resources, a surprising number have practically none. Comparisons of average statistics conceal the simple fact that an unusually high proportion of the elderly have incomes and other economic resources below or just barely above the poverty level.

A. MEDIAN CASH INCOME

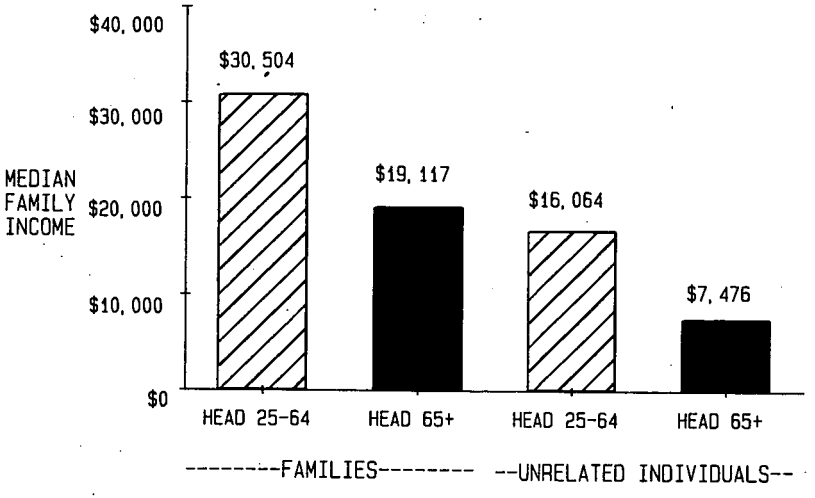
Older People Have Substantially Lower Cash Income Than Those Under 65

Compared strictly on the basis of money income, persons 65 and older, on average, receive substantially less income than those under 65. In 1985, the median income of families with heads aged 65 or older was $19,117, about 63 percent of the median income of families with heads aged 25 to 64 ($30,504) (see table 2-1). The median income of elderly individuals not living in families was $7,476, about 47 percent that of nonelderly individuals ($16,064).[1]

[1] The median income statistics in this chapter were calculated by the Congressional Research Service (CRS) from the Bureau of the Census March 1986 Current Population Survey. CRS's calculated medians are derived from individual records and vary slightly from published Census Bureau statistics based on grouped data.

CHART 2-1

1985 MEDIAN FAMILY INCOME
OLDER AND YOUNGER FAMILIES AND UNRELATED INDIVIDUALS



SOURCE: U.S. Bureau of the Census, Current Population Survey, March 1986. Data tabulated by the Congressional Research Service.

TABLE 2-1.—MEDIAN FAMILY INCOME, 1985: OLDER AND YOUNGER FAMILIES AND UNRELATED INDIVIDUALS

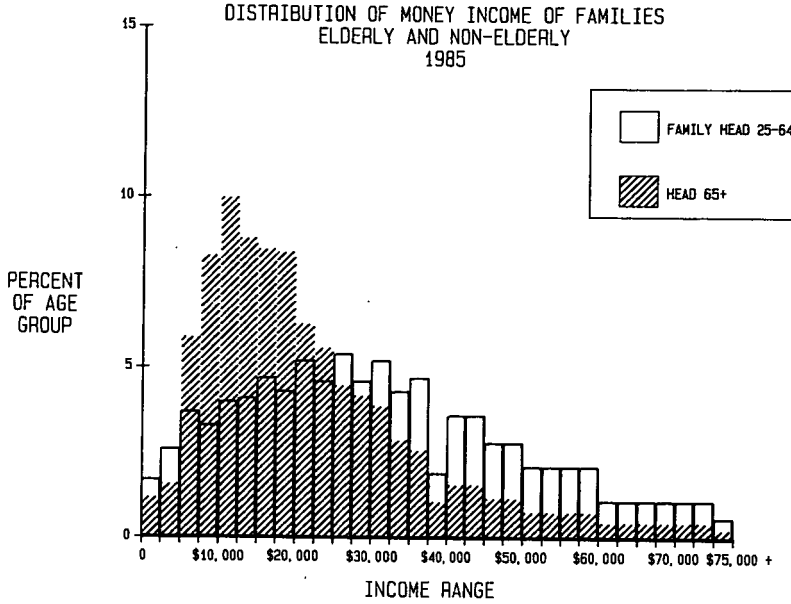
Family type and age of head	Median family income
Families:	
25 to 64	$30,504
65 and over	19,117
Unrelated individuals:	
25 to 64	16,064
65 and over	7,476

Note: Table prepared by CRS.
Source: U.S. Bureau of the Census, March 1986 Current Population Survey.

The distribution of money income is substantially more unequal among the elderly than it is among the nonelderly. In 1985, 36 percent of the families with a head age 65 or older had money incomes below $15,000, compared to only 19 percent of the nonelderly families. There is a greater concentration of nonelderly families than elderly families at the very lowest income level, indicating the better income protection available for the elderly poor as opposed to the nonelderly. (See chart 2-2.)

CHART 2-2

DISTRIBUTION OF MONEY INCOME OF FAMILIES
ELDERLY AND NON-ELDERLY
1985



SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 154

B. POVERTY STATUS

While the Elderly Are About as Likely as the Nonelderly to be Poor, a Greater Proportion of the Elderly Live Near Poverty

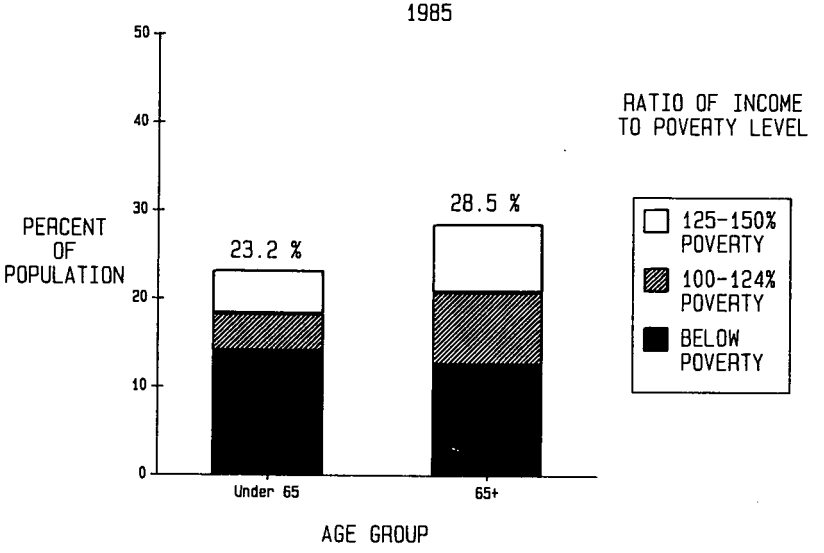
Elderly persons are more likely than other adults to be poor. However, when children are also considered, elderly poverty rates are slightly below poverty rates for the rest of the population. In 1985, 12.6 percent of persons 65 and older had incomes below the poverty level, compared to 11.3 percent of those age 18 to 64 and 14.1 percent of all persons under age 65.[2]

The elderly are much more likely than the nonelderly, however, to have low incomes just above the poverty level. In 1985, 16 percent of persons aged 65 and older were in families with incomes between the poverty level and one-and-one-half times the poverty level. At the same time, only 9.1 percent of those under age 65 were in families with incomes which fell within this range. (See chart 2-3.)

[2] Poverty is a measure of the adequacy of money income in relation to a minimal level of consumption (the poverty level). This level is fixed in real terms and adjusted for family size. The dollar values of the poverty levels are adjusted each year to reflect changes in the consumer price index (CPI). In 1985, the poverty level for a family of four was $10,989, and the poverty level for an elderly couple was $6,503.

CHART 2-3

PERCENT OF ELDERLY AND NON-ELDERLY POPULATION BELOW AND NEAR POVERTY LEVEL
1985



SOURCE: U.S. Bureau of the Census. Current Population Survey, March 1986.

TABLE 2-2.—PERCENT OF ELDERLY AND NONELDERLY PERSONS BY RATIO OF INCOME TO POVERTY, 1985

Ratio of income to poverty level	Age	
	Under 65	65 and older
Below poverty	14.1	12.6
100 to 124 percent poverty	4.2	8.2
125 to 150 percent poverty	4.9	7.7
Total below 150 percent	23.2	28.5

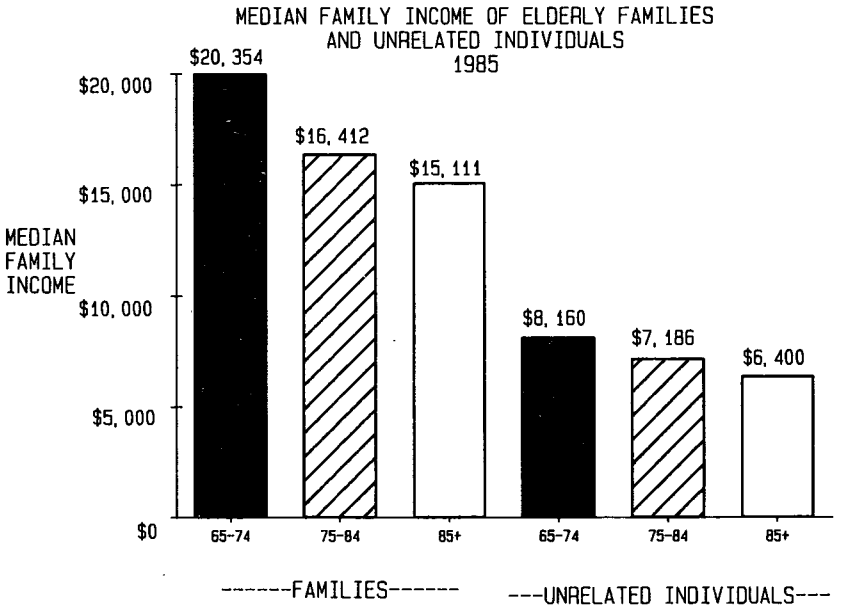
Source: U.S. Bureau of the Census. Special tabulation of March 1986 Current Population Survey.

C. AGE AND INCOME

The Oldest Among the Elderly Have the Lowest Money Incomes

Persons who are 85 years of age or older have significantly lower money incomes than those who are 65 to 74 or 75 to 84 years of age. In 1985, the median cash income of couples aged 85 and older ($15,111) was less than three-quarters the median cash income of couples aged 65 to 74 ($20,354). The median income for single persons aged 85 and older ($6,400) was about 78 percent of the income of singles aged 65 to 74 ($8,160) (table 2-2).

CHART 2-4



SOURCE: U.S. Bureau of the Census. Current Population Survey, March 1986. Data tabulated by the Congressional Research Service.

TABLE 2-3.—MEDIAN FAMILY INCOME, 1985, OLDER AND YOUNGER FAMILIES AND UNRELATED INDIVIDUALS

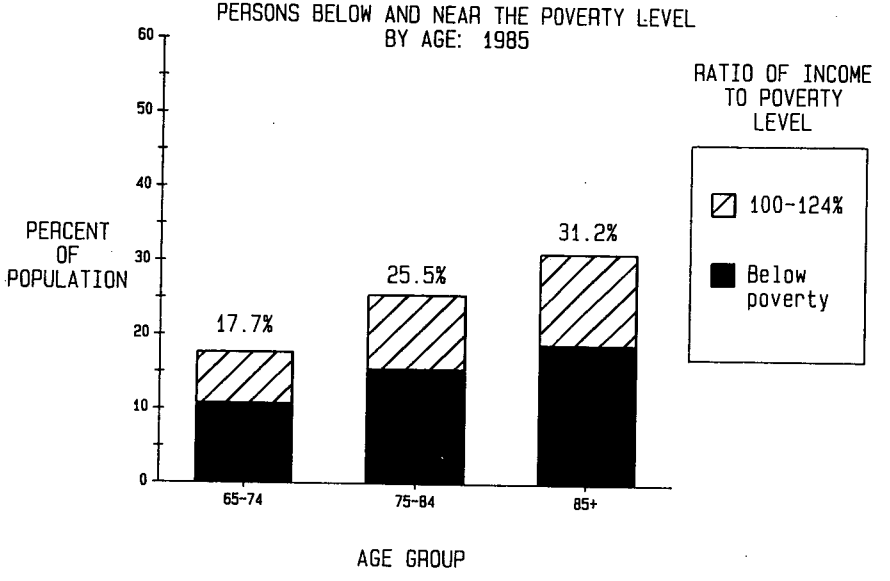
	Median family income
Families:	
Family head's age:	
25 to 64	$30,504
65 and over	19,117
65 to 74	20,354
75 to 84	16,412
85 and over	15,111
Unrelated individuals:	
Age:	
25 to 64	16,064
65 and over	7,476
65 to 74	8,160
75 to 84	7,186
85 and over	6,400

Note: Table prepared by CRS.
Source: U.S. Bureau of Census March 1986 Current Population Survey.

In addition, the oldest elderly are the most likely to have incomes below or just above the poverty level (chart 2-5). In 1985, the poverty rate for persons 85 and over was nearly twice that of the

65 to 74 year age group (18.7 percent for persons 85 and over compared to 10.6 percent for those between 65 and 74 years).

CHART 2-5



SOURCE: U.S. Bureau of the Census. Current Population Survey, March 1986.

69-866 81

D. SEX AND INCOME

Older Women Have Lower Money Income Than Older Men

The low money incomes of older women are largely associated with a pattern of lifelong economic dependency on men and with status changes that occur in old age. In 1985, the median income of elderly women was ($6,166) 57 percent that of elderly men ($10,800). (See table 2-5.) As shown in table 2-4, older women in every age group were substantially more likely to be poor than men of the same age. Overall, only 8.5 percent of the men 65 and older were poor compared to 15.6 percent of the women. The oldest women were the poorest—nearly one in five women 85 years of age and older was poor in 1985. While women accounted for about 60 percent of the elderly population in 1985, they accounted for nearly three-quarters (72.4 percent) of the elderly poor.

TABLE 2-4.—PERCENT OF OLDER PERSONS BY RATIO OF INCOME TO POVERTY BY AGE AND SEX, 1985

Ratio of income to poverty level	Age			Total 65 plus
	65 to 74	75 to 84	85 plus	
Both sexes:				
Below poverty	10.6	15.3	18.7	12.6
100 to 124 percent poverty	7.1	10.2	12.5	8.2
Male:				
Below poverty	7.4	9.2	16.6	8.5
100 to 124 percent poverty	5.4	7.6	10.2	6.3
Female:				
Below poverty	13.0	19.2	19.7	15.6
100 to 124 percent poverty	7.9	11.7	13.5	9.6

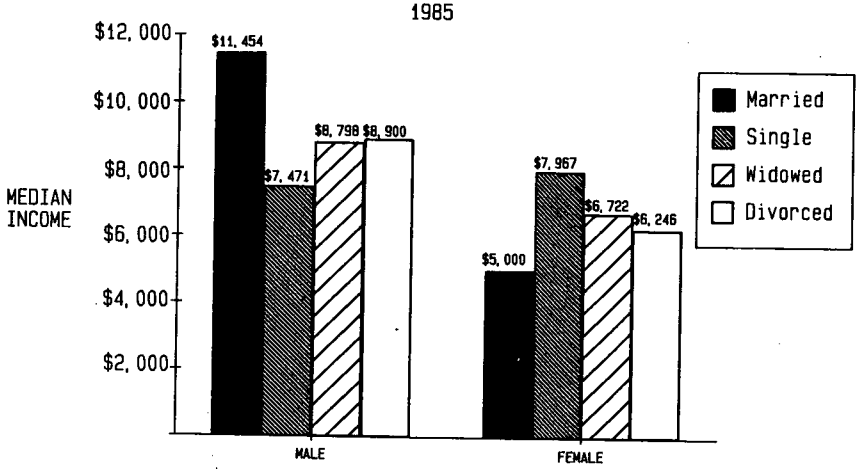
Source: U.S. Bureau of the Census, unpublished data from the March 1986 Current Population Survey.

Women of every marital status had low personal incomes. Although married women had the lowest median income ($5,000) due largely to continuing dependence on the earnings or pension income of a male spouse, they were also likely to benefit from the income of a spouse, and married men had the highest median income ($11,454) of any group (table 2-5).

The economic status of women living alone was more precarious than that of married women due to lack of additional financial support. In 1985, divorced women and widows had the lowest and second-lowest median incomes of unmarried women, reflecting the loss of pension income and earnings often associated with divorce or the death of a wage-earner spouse. The median income of widowed women ($6,722) was 76 percent of that of widowed men ($8,798), since men are more likely to have retained pension or earned income after the death of a spouse.

CHART 2-6

MEDIAN INCOME OF PERSONS AGE 65 AND OLDER
BY MARITAL STATUS
1985



SOURCE: U.S. Bureau of the Census, March 1986, Current Population Survey. Data tabulated by the Congressional Research Service.

TABLE 2-5.—MEDIAN INCOME OF PERSONS AGE 65 AND OLDER BY MARITAL STATUS, 1985

Marital status	Both sexes	Male	Female
Married	$8,478	$11,454	$5,000
Single	7,704	7,471	7,967
Widowed	6,969	8,798	6,722
Divorced	7,000	8,900	6,246
All persons 65 plus	7,721	10,800	6,166

Source: March 1986 Current Population Survey (CPS). Table prepared by CRS.

E. RACE AND INCOME

Minority Elderly Have Low Money Incomes

Black and Hispanic elderly have substantially lower money incomes than their white counterparts. As shown in table 2-6, in 1985, the median income of black males aged 65-69 was 53 percent of white males and that of Hispanic males aged 65-69 was 60 percent of white males. Black and Hispanic women also had lower median incomes than their white counterparts. The median income of black women aged 65-69 was 65 percent of white women and that of Hispanic women of the same ages was 71 percent.

TABLE 2–6.—MEDIAN INCOME OF PERSONS AGE 65 AND OLDER BY AGE, RACE, AND SEX, 1985

Race	Both sexes		Male		Female	
	65 to 69	70 plus	65 to 69	70 plus	65 to 69	70 plus
All races	$8,709	$7,286	$12,478	$9,947	$6,406	$6,084
White	9,252	7,673	13,280	10,450	6,724	6,321
Black	5,261	4,667	7,092	5,996	4,350	4,265
Hispanic	6,052	4,784	8,003	5,983	4,800	4,347

Source: March 1985 Current Population Survey. Table Prepared by CRS.

TABLE 2–7.—NUMBER AND PERCENT OF ELDERLY BELOW POVERTY BY RACE, SEX, AND LIVING ARRANGEMENT, 1985

	Living arrangement of persons below poverty level					
	Number (thousands)			Percent		
	In families	Unrelated individuals	Total	In families	Unrelated individuals	Total
White:						
Male	403	296	699	4.8	17.6	6.9
Female	458	1,541	1,999	5.6	24.3	13.8
Total	861	1,837	2,698	5.2	22.9	11.0
Black:						
Male	137	104	241	21.0	40.6	26.6
Female	155	320	475	19.7	55.4	34.8
Total	293	424	717	20.9	50.9	31.5
Hispanic:						
Male	48	26	74	14.5	45.9	19.1
Female	62	82	144	17.6	46.8	27.4
Total	111	108	219	16.3	46.6	23.9
All races:						
Male	552	402	954	5.9	20.5	8.5
Female	622	1,879	2,501	6.8	27.0	15.6
Total	1,175	2,281	3,456	6.4	25.6	12.6

Source: U.S. Bureau of the Census. Special tabulation from the March 1986 Current Population Survey.

As shown in table 2–7, poverty rates are much higher among minority elderly than among white elderly. In 1985, the poverty rate among black elderly (31.5 percent) was triple, and among Hispanic elderly (23.9 percent), double, the poverty rate among white elderly (11 percent). Nearly half (44.9 percent) of all black older persons had incomes below 125 percent of the poverty level.

Poverty rates are higher for persons of all races who are not living in families. The highest rate of poverty is exhibited by minority women living alone. In 1985, over half of elderly black women not living with family had an income below the poverty level. (See table 2–7.)

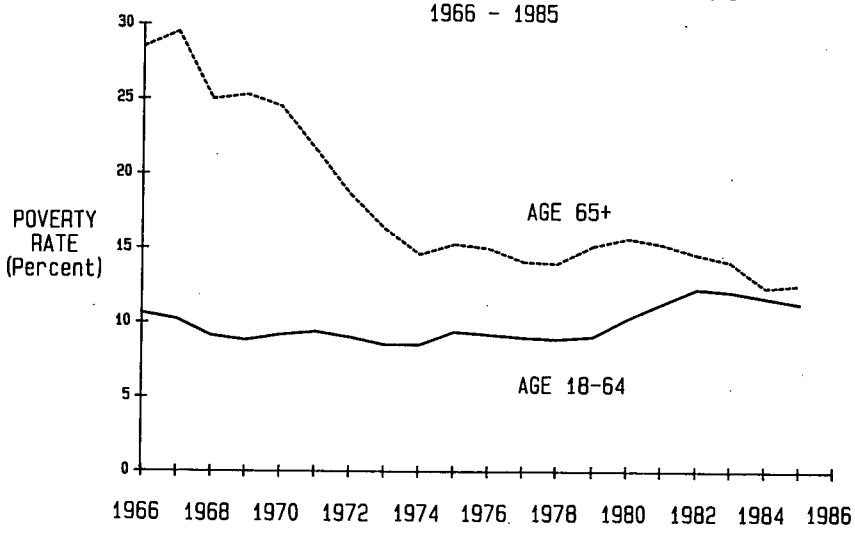
F. TRENDS, 1960–74

Most of the Relative Gains in Income for the Elderly Were Accomplished Between 1960 and 1974

In 1960, one in every three older Americans was poor—a rate of poverty twice that of nonelderly adults. During the 1960's and early 1970's substantial gains occurred in the average income of the elderly due to a general increase in the standard of living and specific improvements in Social Security and employer-sponsored pension benefits. Those retiring during the period also increasingly benefited from lengthening periods of coverage under Social Security and pension plans. The most noticeable gains in the average income of the elderly came as a result of benefit increases enacted in Social Security between 1969 and 1972. Legislated cost-of-living increases from 1968 to 1971 raised benefits by 43 percent while prices increased by only 27 percent. The 1972 Social Security amendments brought another 20-percent increase in benefits.

CHART 2-7

POVERTY RATES FOR NONAGED AND AGED ADULTS
1966 - 1985



SOURCE: U.S. Bureau of the Census, Current Population Surveys, 1966-86

The resulting improvement in the economic status of the elderly was significant. The poverty rate among those 65 and older was halved, declining from 28.5 percent in 1966 to 14.6 percent in 1974. During this period, the poverty rate among nonelderly adults declined less substantially from 10.6 percent in 1966 to 8.5 percent in 1974. (See chart 2-7 and table 2-8.)

TABLE 2-8.—POVERTY RATES FOR NONAGED AND AGED

Year	Poverty rate for nonaged adults, 18 to 64	Poverty rate for the aged 65 plus
1959	17.4	35.2
1966	10.6	28.5
1967	10.2	29.5
1968	9.1	25.0
1969	8.8	25.3
1970	9.2	24.5
1971	9.4	21.6
1972	9.0	18.6
1973	8.5	16.3
1974	8.5	14.6
1975	9.4	15.3
1976	9.2	15.0
1977	9.0	14.1
1978	8.9	14.0
1979	9.1	15.2
1980	10.3	15.7
1981	11.3	15.3
1982	12.3	14.6
1983	12.1	14.1
1984	11.7	12.4
1985	11.3	12.6

Prepared by CRS; updated to 1985 by U.S. Bureau of the Census.

The median income for families with a head 65 and older rose in constant (1985) dollars by nearly a third—from $12,083 in 1966 to $16,372 in 1974. Growth in the median income for families with a head under 65 also rose in constant (1985) dollars over this period, but not nearly as rapidly as that of elderly families—from $27,002 in 1966 to $31,369 in 1974. (See chart 2-8 and table 2-9.)

G. TRENDS, 1974-85

Increasing Poverty Among the Nonelderly Has Continued To Close the Gap in the Economic Status of the Elderly and Nonelderly

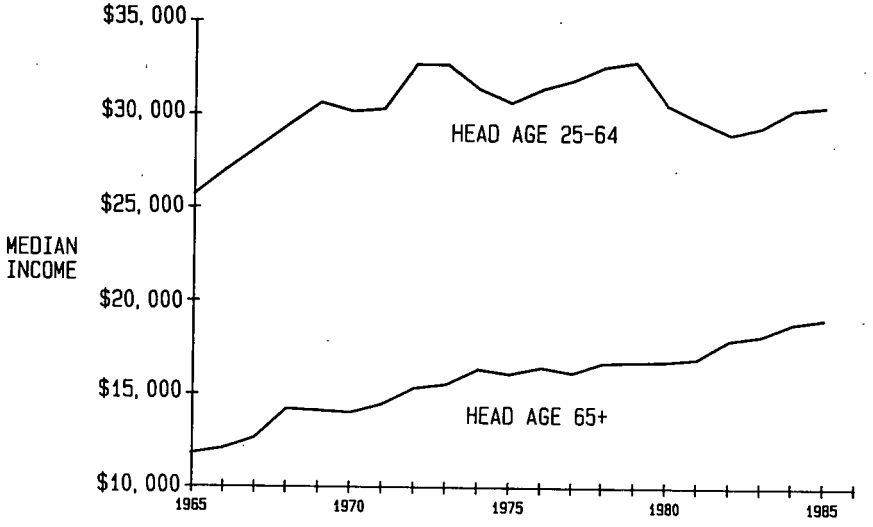
Economic stagnation in the late 1970's and early 1980's slowed real income increases for all age groups. The nonelderly, still in the workforce, were more directly affected by the two recessions in this period than were the elderly. While real incomes of the nonelderly remained relatively constant during this period, the real incomes of the elderly rose slowly. Underlying the slow rise in elderly income was a growth in Social Security benefits resulting from the retirement of new generations with better wage records. Automatic annual cost-of-living adjustments (COLA's) in Social Security, which went into effect in 1975, served to keep the real benefits of those already retired from declining.

As a result, the gap in income between the elderly and nonelderly narrowed between 1974 and 1982. The median income of families with a head 65 and older rose in constant (1985) dollars from $16,372 in 1974 to $17,963 in 1982, while the median income of fam-

ilies with a head under age 65 declined in constant (1985) dollars from $31,369 in 1974 to $28,980 in 1982. (See table 2-9.)

CHART 2-8

MEDIAN FAMILY INCOME - AGED AND NON-AGED FAMILIES
(1985 Constant Dollars)
1965 - 1985



SOURCE: U.S. Bureau of the Census, Current Population Survey, 1968-86.
Data tabulated by the Congressional Research Service.

TABLE 2-9.—MEDIAN FAMILY INCOME, 1965–85, ELDERLY AND NONELDERLY FAMILIES

	Median family income (1985 dollars)		Median family income (actual dollars)		CPI
	Head 25 to 64	Head 65 plus	Head 25 to 64	Head 65 plus	
1965	$25,698	$11,797	$7,537	$3,460	94.5
1966	27,002	12,083	8,146	3,645	97.2
1967	28,202	12,656	8,753	3,928	100.0
1968	29,409	14,199	9,511	4,592	104.2
1969	30,630	14,094	10,438	4,803	109.8
1970	30,139	14,001	10,879	5,053	116.3
1971	30,297	14,484	11,406	5,453	121.3
1972	32,701	15,346	12,717	5,968	125.3
1973	32,670	15,556	13,496	6,426	133.1
1974	31,369	16,372	14,380	7,505	147.7
1975	30,643	16,104	15,331	8,057	161.2
1976	31,415	16,480	16,624	8,721	170.5
1977	31,883	16,172	17,960	9,110	181.5
1978	32,589	16,722	19,764	10,141	195.4
1979	32,865	16,774	22,175	11,318	217.4
1980	30,539	16,816	23,392	12,881	246.8
1981	29,734	16,956	25,138	14,335	272.4
1982	28,980	17,963	26,003	16,118	289.1
1983	29,416	18,207	27,243	16,862	298.4

TABLE 2–9.—MEDIAN FAMILY INCOME, 1965–85, ELDERLY AND NONELDERLY FAMILIES—Continued

	Median family income (1985 dollars)		Median family income (actual dollars)		CPI
	Head 25 to 64	Head 65 plus	Head 25 to 64	Head 65 plus	
1984	30,337	18,865	29,292	18,215	311.1
1985	30,504	19,117	30,504	19,117	322.2

Source: U.S. Bureau of the Census, Current Population Reports, Series P–60, 1965–85.

Poverty rates showed a similar trend. The poverty rate among the elderly remained fairly stable throughout the 1970's and early 1980's—ranging between 14 to 15.7 percent. At the same time, the poverty rate among nonelderly adults rose dramatically from a low of 8.5 percent in 1974 to a high of 12.3 percent in 1982. (See table 2–8.)

With the economic recovery of the last few years, income trends have shown a marked change in the pattern set in the late 1970's and early 1980's. Since 1982, wage earners have realized real gains paralleling those of the elderly. The median income of families with a head 65 and older rose slightly in constant (1985) dollar terms from $17,963 in 1982 to $19,117 in 1985, while the median income of families with a head under 65 also increased from $28,980 in 1982 to $30,504 in 1985. At the same time, poverty rates have declined for both the elderly and nonelderly adults. The poverty rate among those 65 and older has declined from 14.6 percent in 1982 to 12.6 percent in 1985, while the poverty rate among adults age 18 to 64 has declined from 12.3 percent in 1982 to 11.3 percent in 1985.

H. COMPOSITION OF INCOME

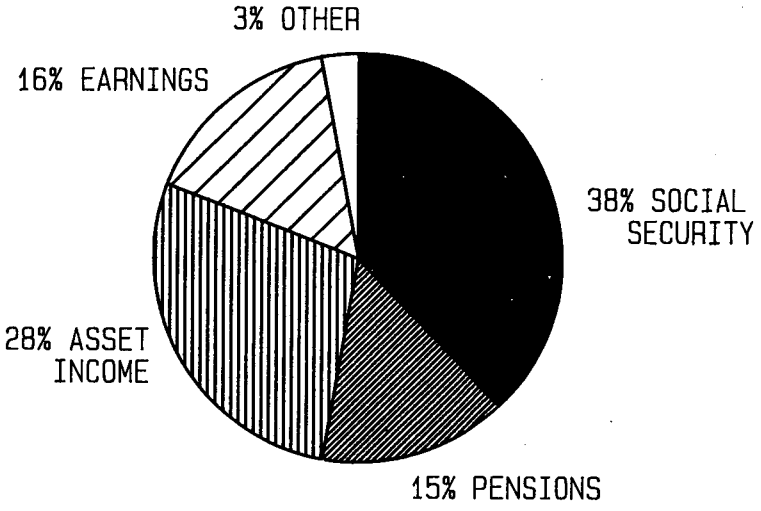
The Elderly Rely Heavily on Social Security Benefits and Asset Income

The elderly depend more heavily on Social Security for their income than they do on any other source. In 1984, 38 percent of all income received by aged units came from Social Security.[3] Nine out of every 10 aged units was receiving some income from Social Security, and 13 percent of the aged units received all of their income from Social Security. In all, 3 aged units in 10 (29 percent) depended on Social Security for 80 percent or more of their income. The elderly with the lowest incomes were the most dependent on Social Security benefits. In 1984, 77 percent of aggregate income received by aged units with incomes under $5,000 came from Social Security benefits. By contrast, only 20 percent of the aggregate income received by aged units with incomes of $20,000 or more came from Social Security.

[3] Information in section H about the income of aged units in 1984 comes from Susan Grad, Income of the Population 65 and Over, 1984, U.S. Department of Health and Human Services, Social Security Administration. An aged unit is either a married couple living together with one or both members 65 or older, or an individual 65 or older who does not live with a spouse. Income is measured separately from the income of the family or household in which the unit lives.

CHART 2-9

SHARES OF INCOME BY SOURCE
COUPLES AND UNMARRIED PERSONS AGED 65 AND OLDER
1984



SOURCE: Grad, Susan, Income of the Population 55 and Over, 1984, Social Security Administration, forthcoming

Income from assets was the second most important income source for the elderly. In 1984, 28 percent of the income received by aged units was income from assets. In recent years, savings and other asset income has grown in importance as a source of income, increasing from 16 percent of total income in 1962 to 22 percent by 1980. However, income from financial assets was unevenly distributed, with nearly one-third (32 percent) of the aged units reporting no asset income, and one-fourth (27 percent) of those with asset income reporting less than $500 a year. Only 33 percent of those who had asset income received more than $5,000 a year from this source.

Earnings were a particularly important source of income to the younger elderly, but declined in importance with age. Overall, 16 percent of the income of aged units came from earnings. Those aged 65 to 69 received 28 percent of their income from earnings, compared to only 4 percent for those aged 80 and older.

Employee pensions provided 15 percent of the income the elderly received. This share has remained fairly constant in recent years, and is similar for all but the oldest age group. Overall, three in eight (38 percent) aged units received income from public and/or

private pension benefits—one in four (24 percent) from private pensions.

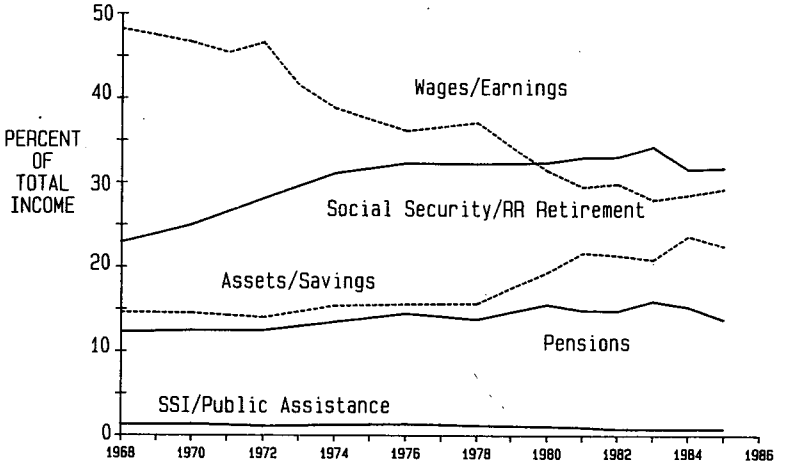
I. TRENDS IN COMPOSITION OF INCOME

Social Security Is Becoming an Increasingly Important Part of the Income of the Elderly, While Earnings Continue To Decline in Importance

The rapid growth in real benefit levels for the elderly during the late sixties and early seventies was accompanied by a substantial change in the composition of income the elderly received. In the late 1960's, families with heads 65 and older derived nearly half of their income from earnings, while only 23 percent of their income came from Social Security. Now, 20 years later, Social Security has surpassed earnings as the leading source of income for these families.

CHART 2-10

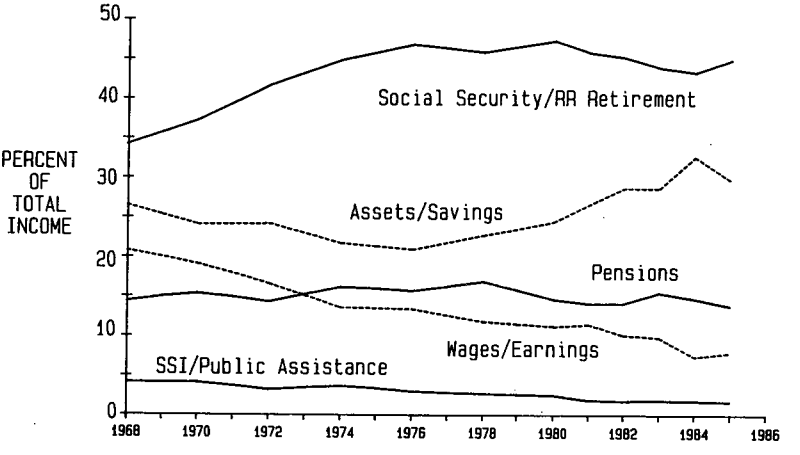
INCOME SHARES BY SOURCE OF INCOME
FAMILIES WITH HEAD AGE 65+
1968 - 1985



SOURCE: U.S. Bureau of the Census, Current Population Surveys, 1968-85, Unpublished data.

CHART 2-11

INCOME SHARES BY SOURCE OF INCOME
UNRELATED INDIVIDUALS 65+
1968 - 1985



SOURCE: U.S. Bureau of the Census, Current Population Surveys, 1966-85, Unpublished data.

TABLE 2–10.—SOURCE OF INCOME AS A PERCENTAGE OF INCOME, 1968–85

Year	Social Security/ railroad retirement	Asset income	SSI/Public assistance	Pensions	Earnings
Families with a head 65 and older:					
1968	22.9	14.6	1.3	12.3	48.2
1970	25.0	14.5	1.4	12.5	46.6
1972	28.1	14.0	1.1	12.5	44.2
1974	31.1	15.4	1.3	13.5	38.8
1976	32.3	15.6	1.4	14.5	36.1
1978	32.2	15.7	1.2	13.8	37.1
1980	32.4	19.4	1.1	15.6	31.4
1981	33.0	21.7	1.0	14.9	29.5
1982	33.1	21.4	0.8	14.8	29.9
1983	34.3	20.9	0.8	16.0	28.0
1984	31.6	23.7	0.8	15.3	28.6
1985	31.8	22.5	0.8	13.8	29.3
Unrelated individuals 65 and older:					
1968	34.2	26.5	4.1	14.4	20.8
1970	37.3	24.1	4.1	15.4	19.1
1972	41.7	24.2	3.2	14.3	16.6
1974	44.9	21.7	3.7	16.2	13.6
1976	46.9	20.9	3.0	15.7	13.4
1978	45.9	22.7	2.7	16.9	11.8
1980	47.4	24.4	2.5	14.6	11.2
1981	45.9	26.6	1.9	14.1	11.5
1982	45.3	28.7	1.8	14.1	10.1
1983	44.0	28.7	1.9	15.5	9.8
1984	43.4	32.7	1.8	14.7	7.4
1985	45.0	29.7	1.7	13.8	7.9

Source: U.S. Bureau of the Census, Current Population Reports, Series P–60, 1965–86.

A substantial decline in the role of earnings has been the most notable feature of this change. The trend toward earlier retirement among older males has caused labor force participation rates of men 65 and older to drop from 33 percent in 1960 to 16 percent in 1985.[4] As a result, earnings, which accounted for 48 percent of elderly family income in 1968, accounted for only 29 percent by 1985.

Social Security grew in importance as a source of income to elderly families between 1968 and 1974, but its proportion of sources of income has remained relatively stable since then. The proportion of elderly family income coming from Social Security benefits increases from 23 percent in 1968 to 31 percent in 1974, largely as a result of legislated benefit increases in the late 1960's and early 1970's. Over the last 10 years, however, the proportion of elderly family income coming from Social Security has ranged between 32 and 34 percent. In recent years, a particularly steep decline in the role of earnings has been offset by an increase in the role of assets and pensions as a source of income. This shift was most pronounced between 1978 and 1980, when earnings dropped from 37 to 31 percent while assets increased from 16 to 19 percent and pensions grew from 14 to 16 percent of total income.

[4] U.S. Department of Labor, Bureau of Labor Statistics.

J. NONCASH ECONOMIC RESOURCES

Although the elderly have substantially lower average cash incomes than the nonelderly, they derive greater economic advantage than the nonelderly from the tax treatment of income, government inkind transfers, lifetime accumulations of wealth, and family size. Some analysts contend that when these factors are taken into account, the average older person has economic resources roughly equivalent to those of younger persons.

Recent analyses of the distribution of resources suggests that while the consideration of noncash resources reduces some of the economic difference between the elderly and the nonelderly, large numbers of the elderly still have limited economic resources.

1. TAXES

NEARLY HALF OF THE ELDERLY PAY NO FEDERAL INCOME TAXES, BUT THOSE WHO DO PAY TAXES PAY MORE ON THE AVERAGE THAN NONELDERLY TAXPAYERS

The elderly as a group pay a smaller portion of their income in taxes than do the nonelderly. Four provisions in the tax code are of special significance to the elderly:

(1) The exclusion of veterans pension income and, for those with less than $25,000 (single)/$32,000 (joint) income, the exclusion of Social Security and railroad retirement benefits from taxation;

(2) The additional exemption for those over age 65 (which will no longer apply after 1987 under the Tax Reform Act of 1986);

(3) The one-time exclusion of up to $125,000 in capital gains from the sale of a home after age 55; and

(4) The elderly tax credit for low-income individuals with few or no Social Security benefits.

In addition, the tax burden of the elderly tends to be lighter than that of the nonelderly since most elderly no longer pay Social Security payroll taxes and their income tax payments tend to be based on a lower marginal tax rate. Approximately 47 percent of the elderly paid no Federal income taxes in 1984 due to low income and/or income largely excluded from taxation.[5]

Those elderly who do pay Federal income taxes, however, tend to pay taxes at a higher rate and have a greater tax liability than nonelderly taxpayers. In 1984, the effective tax rate for elderly taxpayers was 17 percent compared to 14 percent for nonelderly taxpayers; and the average tax payment of an elderly taxpayer was $4,253 compared to $3,622 for a nonelderly taxpayer.

Consideration of tax payments has a relatively slight effect on the income distribution of the elderly, with a noticeable reduction in income only at high levels of income. By comparison, the incomes of most nonelderly are reduced more substantially by the consideration of tax payments.

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[5] Internal Revenue Service, *Statistics of Income, 1984, Individual Income Tax Returns,* November 1986.

2. In-Kind Benefits

Some analysts also contend that the difference in income between the elderly and nonelderly would be reduced if the analysis of income took into account the value of in-kind transfers.

WHILE ALMOST ALL ELDERLY BENEFIT FROM IN-KIND HEALTH CARE BENEFITS, FEWER THAN ONE IN SIX BENEFIT FROM NONHEALTH IN-KIND BENEFITS

In-kind benefits, especially Government-provided health benefits, are of particular significance to the elderly since 97 percent of the elderly are covered by Medicare hospital and physician insurance, and 12 percent are covered by Medicaid (most of these are covered by Medicare as well) (see table 2–11). By contrast, only 15 percent of the elderly benefit from nonhealth in-kind benefits—and only 4 percent benefit from more than one of these benefits. Energy assistance and food stamps are the most prominent benefits going to 7 and 6 percent of the elderly respectively. Even smaller percentages benefit from public housing and rental assistance [6] (see table 2–12). Nonelderly workers and their families benefit primarily from employee benefits, such as group health insurance, provided by employers but not counted as income by employees.

TABLE 2–11.—SOURCES OF HEALTH INSURANCE COVERAGE FOR THOSE 65 AND OLDER, 1984

[In percent]

Type of health plan	Total	Married couples	Nonmarried persons	
			Men	Women
Medicare	97	96	95	97
Medicaid	12	7	14	16
Military plan	3	5	7	1
Employer plan	8	14	4	3
Other	53	62	41	49
Number of health plans:				
0	1	0	2	1
1	32	25	41	36
2	60	64	52	59
3 or more	6	10	5	4

Source: Social Security Administration, "Income: Resources of the Population 65 and Over," October 1986.

[6] Data on receipt of in-kind benefits in 1984 is from U.S. Social Security Administration, *Income and Resources of the Population 65 and Over*, Publication No. 13-11727, October 1986.

TABLE 2-12.—RECEIPT OF IN-KIND BENEFITS BY THE ELDERLY BY MARITAL STATUS AND SEX, 1984

[In percent]

Source of in-kind income	Total	Married couples	Nonmarried persons	
			Men	Women
Energy assistance	7	3	7	10
Food stamps	6	3	7	8
Public housing	4	1	4	6
Rental assistance	2	1	2	3
Number of sources:				
0	85	94	84	78
1	11	5	13	16
2 or more	4	1	3	6

Source: Social Security Administration, "Income: Resources of the Population 65 and Over," October 1986.

The inclusion of Medicare and other in-kind benefits in the incomes of the elderly causes an upward shift in the income distribution of the elderly, with the largest proportionate increases occurring at low income levels. (A similar but less pronounced upward shift occurs for the nonelderly.) The net effect of the inclusion of both taxes and in-kind benefits is to reduce the percentage of older persons at the highest and lowest income levels and increase the percentage in the middle of the income distribution.

3. Assets

The elderly as a group hold substantially more in assets than the nonelderly. Because of this difference, some analysts have suggested that a comparison of the economic well-being of the elderly and nonelderly should include a measurement of the income potential that exists in accumulated wealth.

THE ELDERLY HAVE GREATER ASSETS THAN THE NONELDERLY SINCE THEY HAVE ACCUMULATED THESE ASSETS OVER A LIFETIME—MORE THAN ONE-THIRD OF THE ASSETS OF THE ELDERLY IS THE EQUITY IN THEIR OWN HOMES

The fact that the elderly as a group hold more assets than the nonelderly is a result of normal life-cycle processes. People naturally tend to accumulate savings, home equity, and personal property over a lifetime. The median net worth of households with a head 65 and over was $60,266 in 1984 compared to a median net worth for all households (including elderly households) of $32,677 [7] (see table 2-13 and chart 2-12).

[7] Data on assets, unless otherwise noted, comes from the U.S. Bureau of the Census, Household Wealth and Asset Ownership: 1984, Data from the Survey of Income and Progam Participation, Current Population Reports, Series P-70, No. 7.

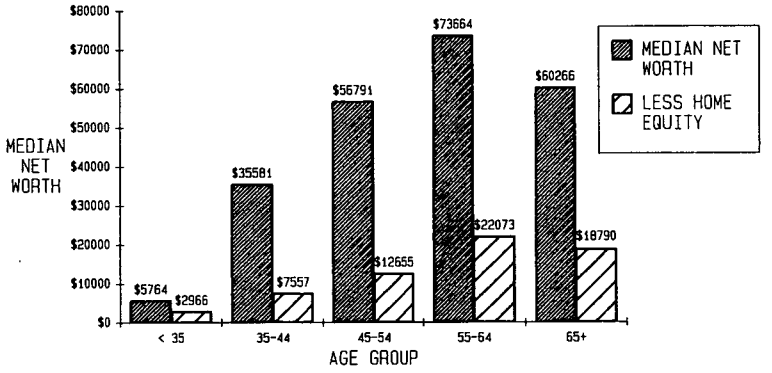
TABLE 2-13.—MEDIAN NET WORTH, BY AGE OF HOUSEHOLDER AND MONTHLY HOUSEHOLD INCOME

[Excludes group quarters]

Monthly household income	Total	Less than 35 years	35 to 44 years	45 to 54 years	55 to 64 years	65 years and older
Total number of households (thousands)	86,790	25,730	17,393	12,596	12,920	18,151
Median income	$1,677	$1,596	$2,238	$2,381	$1,822	$1,021
Median net worth	32,667	5,764	35,581	56,791	73,664	60,266
Excluding home equity	7,783	2,966	7,557	12,655	22,073	18,790

Source: Bureau of the Census, *Household Wealth and Asset Ownership: 1984*, Series P-70, No. 7, July 1986

CHART 2-12
MEDIAN NET WORTH BY AGE GROUP
1984



SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-70, No. 7, July 1986.

Although the elderly as a group hold greater assets than the nonelderly, many elderly households hold few or no assets. The wealth the elderly do hold exists primarily in the form of home equity. Nearly 75 percent of older persons own their homes—80 percent of these "free and clear." More than one-third (38.6 percent) of the total net worth of the elderly comes from the home. Many of the "house rich" elderly are "cash poor," however. A recent analysis of the 1983 Annual Housing Survey data shows that nearly one-quarter (23 percent) of poor elderly homeowners had at least $50,000 in home equity.[8] This disparity between income and equity may be due to recent rapid appreciation in housing values or losses in income due to retirement, divorce, or widowhood.

[8] Bruce Jacobs, "The National Potential of Home Equity Conversion," *The Gerontologist*, Volume 26, pages 496-504, 1986.

EXCLUDING HOME EQUITY, MANY OF THE ELDERLY HAVE RELATIVELY FEW ASSETS—THE ELDERLY ARE MORE LIKELY TO HOLD THESE ASSETS IN THE FORM OF SAVINGS, CHECKING, OR MONEY MARKET ACCOUNTS THAN THE NONELDERLY

In 1984, more than 40 percent of elderly households had a net worth excluding home equity of less than $10,000. The median net worth of all elderly households excluding the value of home equity was only $18,790 in 1984. After home equity, the assets of elderly households are held largely in the form of savings, checking, or money market accounts (see table 2-14 and chart 2-13).

The holdings of the elderly differ from those of the nonelderly, since some older persons convert equity in a home or business to cash when they reach retirement to help meet their living expenses. As a result, the elderly, as a group, have a smaller share of their equity in a business or a profession and a larger share in savings, checking, or money market accounts than the nonelderly. In 1984, 5 percent of the net worth of elderly households was in a business or profession compared to 10 percent of the net worth of all households (including the elderly). At the same time, 25 percent of elderly net worth was in interest-earning assets at a financial institution, compared to only 14 percent of the net worth of all households. Additionally, the elderly have a smaller share of their equity tied up in their homes than the nonelderly. In 1984, 39 percent of the net worth of elderly households was equity in their home compared to 41 percent of the net worth of all households.

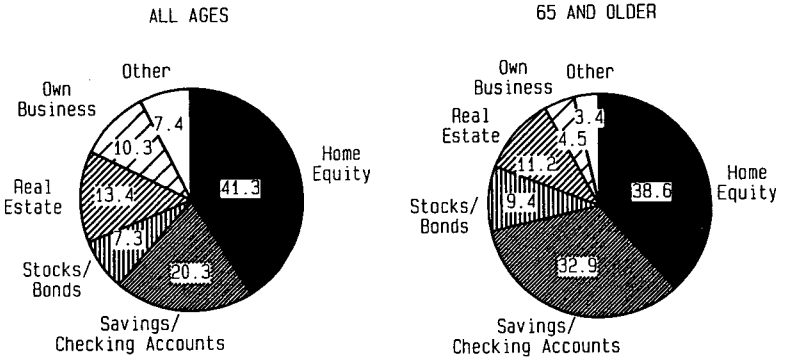
TABLE 2-14.—DISTRIBUTION OF NET WORTH, BY AGE OF HOUSEHOLDER AND ASSET TYPE

[Excludes group quarters]

Type of asset	Total	Less than 35 years	35 to 44 years	45 to 54 years	55 to 64 years	65 years and over
Total net worth	100.0	100.0	100.0	100.0	100.0	100.0
Interest-earning assets at financial institutions	14.4	11.6	8.3	9.3	13.4	24.8
Other interest-earning assets	3.1	1.6	2.3	1.7	3.7	4.9
Checking accounts	.6	1.2	.7	.6	.4	.6
Stocks and mutual fund shares	6.8	5.2	5.3	4.7	8.9	8.6
Own home	41.3	46.0	47.0	42.3	41.1	38.6
Rental property	9.0	5.3	7.8	11.0	10.9	8.2
Other real estate	4.4	4.5	4.9	5.1	5.2	3.0
Motor vehicles	6.0	16.6	7.4	6.0	4.6	3.4
Business or profession	10.3	17.4	14.1	16.0	7.9	4.5
U.S. saving bonds	.5	.3	.2	.4	.6	.8
IRA or KEOGH accounts	2.2	1.6	2.0	2.8	3.3	2.6

Source: Bureau of the Census: Household Wealth and Asset Ownership: 1984. Series P-70, No. 7, July 1986.

CHART 2-13
DISTRIBUTION OF TOTAL NET WORTH BY ASSET TYPE
URBAN CONSUMER UNITS BY AGE
1984



K. CONSUMPTION PATTERNS

The economic well-being of the elderly is ultimately reflected in the relative standard of living they can sustain. The elderly generally consume fewer goods and services than the nonelderly and spend higher proportions of their total budgets on essentials. The one service that the elderly consume more of and spend more on than the nonelderly is health care.[9]

The Elderly Spend Less Than the Nonelderly, Even When Spending Is Adjusted for Household Size

Older households consume less than younger households because they have less household income to spend, fewer people in the household to support, and different needs than younger households. Data from the 1984 Consumer Expenditure Survey shows that urban consumer units with a reference person age 65 to 74 and age 75 and over have average incomes before taxes that are respectively only 68 percent and 51 percent as great as the average income of all urban consumer units. Spending by older consumer units is substantially lower than the average spending by all consumer units. Units with a reference person age 65 to 74 spent $15,873 and those with a reference person age 75 and older spent $11,196 in 1984 compared to average spending of $21,788 by all consumer units.

To some extent, elderly households need to buy less overall, and spend on a different mix of purchases because they have fewer members than nonelderly households. In 1984, the average 65- to 74-year-old consumer unit had 1.9 persons and the average 75 and older consumer unit had only 1.5 persons compared to the average

[9] Data on consumption patterns is from the Bureau for Labor Statistics, Consumer Expenditure Survey results from 1984.

of all consumer units 2.6 persons. However, even when adjusted for unit size, older households spent less than younger households.

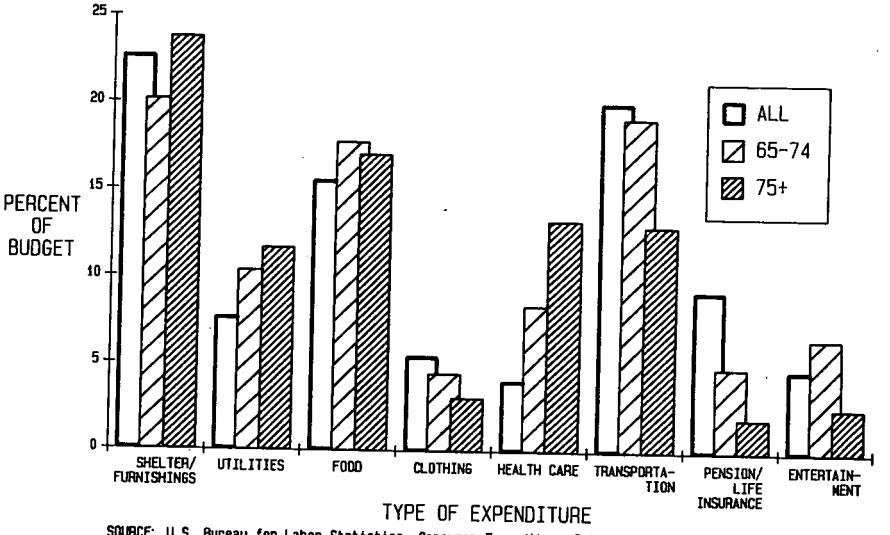
Because older households are smaller, they devote a larger share of their budget to costs that vary little with household size. For example, housing costs (including utilities) in 1984 were more than 30 percent of the average budget of consumer units with a reference person 65 and older compared to only 27 percent of the budget of all consumer units. Spending on utilities, in particular, was a more significant expense for the elderly than the nonelderly. Utility costs as a percentage of the budget were 10 percent for 65- to 74-year-old units and 12 percent for 75 and older units, compared to only 8 percent for all consumer units.

TABLE 2-15.—AVERAGE ANNUAL EXPENDITURES OF URBAN CONSUMER UNITS, 1984

	Amounts expended			Percentage		
	All ages	65 to 74	75 plus	All ages	65 to 74	75 plus
Annual average expenditures	$21,788	$15,873	$11,196	100.0	100.0	100.0
Shelter/furnishings	4,948	3,204	2,661	22.7	20.2	23.8
Utilities	1,679	1,644	1,311	7.7	10.4	11.7
Food	3,391	2,831	1,912	15.6	17.8	17.1
Clothing	1,192	715	346	5.5	4.5	3.1
Health care	899	1,340	1,487	4.1	8.4	13.3
Transportation	4,385	3,041	1,450	20.1	19.2	13.0
Pension and life insurance	2,023	778	229	9.3	4.9	2.0
Entertainment	1,040	604	291	4.8	6.6	2.6

CHART 2-14

CONSUMER EXPENDITURES BY TYPE AND AGE GROUP 1984



SOURCE: U.S. Bureau for Labor Statistics, Consumer Expenditure Interview Survey, 1984.

Health Care Is the Only Budget Category on Which the Elderly Spend More Money Than the Nonelderly

The elderly spend more in actual dollars on health care than the nonelderly. Consumer units with a reference person age 65 to 74 paid an average $1,340 and those with a reference person age 75 and older paid $1,487 in out-of-pocket health costs in 1984 compared to an average of $899 paid by all units. Because the total budget of the elderly is smaller, the share spent on health care is substantially higher than the share spent by the nonelderly. Consumer units age 65 to 74 and 75 and older respectively spent 8 percent and 13 percent of their budgets on health care compared to 4 percent by all units.

On other necessities, the elderly tend to spend far less than the nonelderly. Spending by elderly consumer units on food, clothing, and transportation in 1984 was substantially lower in dollar terms than spending by nonelderly units on these same goods and services (see table 2–15).

In conclusion, older Americans as a group have fewer economic resources and sustain a lower living standard than nonelderly adults. The greatest threat to the economic security of the elderly is the high out-of-pocket cost of health care, which consumes an increased share of the reduced budgets of the average elderly household.

Chapter 3

RETIREMENT TRENDS AND LABOR FORCE PARTICIPATION

With this century's dramatic increase in longevity, people are spending more time in all of life's major activities—in education, in work, and in retirement. Retirement is now an established institution and more and more older people are leaving work for retirement well before age 65. For those older persons who need or want to continue to work, however, unemployment and age discrimination are serious problems. Older workers who are unemployed stay out of work longer than younger workers, suffer a greater earnings loss in subsequent jobs than younger workers, and are more likely to become discouraged, giving up the job search altogether.

The following section describes the current labor force and retirement trends of older workers.

A. LIFETIME DISTRIBUTION OF EDUCATION, WORK, AND RETIREMENT

Retirement Is No Longer a Luxury, It is Now an Institution

Increased longevity and changing social and work patterns have contributed to dramatic changes during this century in the distribution of time devoted to major life activities such as education, work, retirement, and leisure. Compared to a century ago, children are spending more time in school, both men and women in their middle years are spending more time in work, and older people are spending more time in retirement.

Retirement is now as much an expected part of a life course as family, school, or work. The portion of life spent in retirement has increased substantially since the beginning of this century (chart 3-1). In 1900, the average male had a life span of 46.3 years and only 1.2 years or 3 percent of that was spent in retirement. By 1980, the average male spent 20 percent of his 69.3 years in retirement, or 13.8 years. Thus, while life expectancy increased by 50 percent, average years in retirement increased 11 times.

(Note.—Statistics for this section are from the following—Formal education for 1940 to 1970 from "Median School Years Completed," Bicentennial Edition—Historical Statistics of the United States, page 390; for 1900 from Best, F., Work Sharing: Issues, Policy Options and Prospects, Upjohn Institute for Employment Research, Kalamazoo, MI, 1981; for 1980, Bureau of the Census, Worklife Estimates from Smith, Shirley, New York Life Estimates, Bureau of Labor Statistics Bulletin 2157, November 1982. Life expectancy from Bureau of the Census.)

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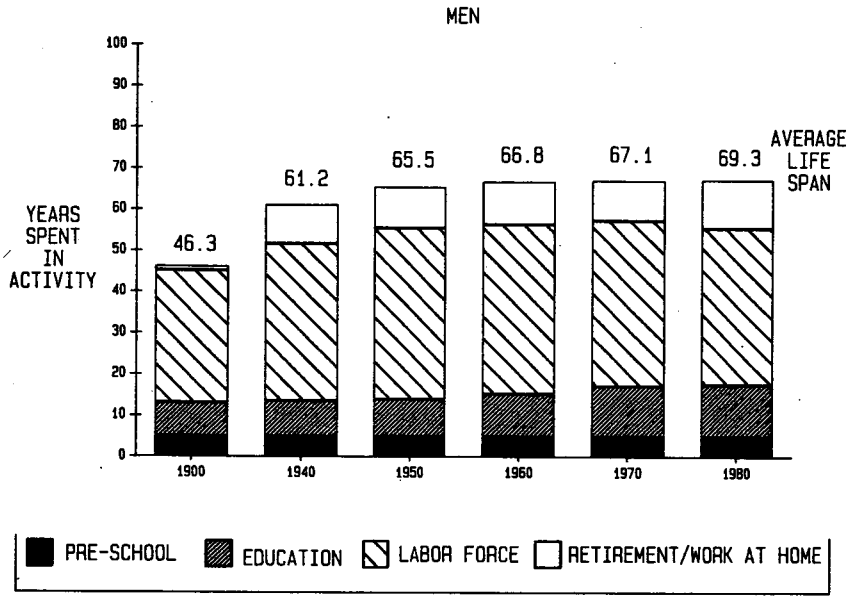
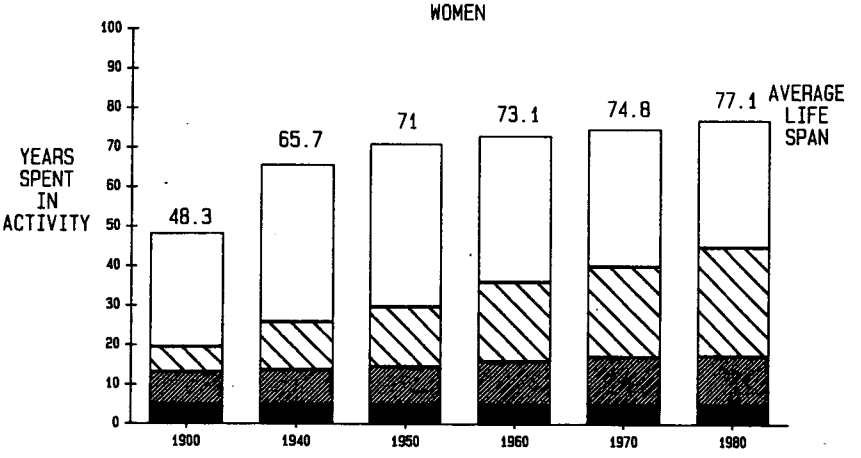
CHART 3-1

LIFECYCLE DISTRIBUTION OF EDUCATION, LABOR FORCE PARTICIPATION, RETIREMENT AND WORK IN THE HOME: 1900-1980





NOTE: Data for 1980 is based on 1977 work life estimates.
SOURCE: Senate Special Committee on Aging based on data from the U.S. Bureau ofthe Census, U.S. Bureau for Labor Statistics, and the Upjohn Institute for Employment Research

Although, on the average, males spent 5 more years in the labor force in 1980 than in 1900, their working lives accounted for a smaller proportion of their lifespan in 1980 (55 percent), than in 1900 when males spent 69 percent of their lives working.

The number of years spent in school also increased for males from an average of 8 years to 12.6 years between 1900 and 1980. The proportion of time devoted to education, however, only increased from 17 to 18 percent.

Change in distribution patterns of major life activities are very different for women. As more women have entered the labor force, an historic increase has taken place in the proportion of time spent in work outside the home. Since 1900, the average number of years women spend in the labor force increased from 6.3 to 27.5 years and from 13 percent of the lifespan to 36 percent.

(NOTE.—The data for labor force participation of women is necessarily skewed by the fact that, historically, women have worked within the home and have tended to interrupt their work during child-rearing years. Dramatic reductions in such interruptions are reflected by a decrease in the proportion of time women spend in retirement or work at home (60 percent in 1900 compared to 42 percent in 1980). A major factor influencing the surge in labor force participation for women is an increase from 2 to 13 years since the early part of the century in the average period of time left after child-rearing.)

B. RETIREMENT

MOST OLDER WORKERS RETIRE EARLIER THAN AGE 65

Since Social Security legislation was passed in 1935, age 65 has been commonly thought of as the "normal" retirement age. Today, however, most retirees leave work before they reach age 65. A 1978 national survey of American attitudes toward pensions and retirement found that almost two-thirds of retirees had left work before age 65.[1] The median age of retirement in this sample was 60.6. It is important to note that retirement is not necessarily synonymous with lack of employment. At the time of the survey, however, 81 percent of the retired respondents were not employed full time.

Early retirement may be a permanent fixture of the American economy. Even an increase in the eligibility age for full Social Security benefits and the elimination of mandatory retirement at age 70 is likely to have only minimal impact on future retirement ages. According to the National Commission for Employment Policy, research has shown that changing the age of eligibility for full Social Security benefits from age 65 to 67 by the year 2027 would have a minimal effect on the actual age of retirement and would only raise the average retirement age by about 3 months.[2] The study projected that other options, such as reducing early retirement benefits, would also have little effect on retirement age. According to the results of the study, people retire at a given age for a variety of reasons such as health, availability of private pension benefits, social expectations, and long-held plans. Apparently, Social Security benefits are only a small factor in the retirement decision.

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[1] Harris, Louis and Associates. A Nationwide Survey of Employees, Retirees, and Business Leaders, 1979.

[2] Fields and Marshall. Restructuring Social Security: How Will Retirement Ages Respond? National Commission on Employment Policy. Summer 1983.

C. LABOR FORCE PARTICIPATION

Labor Force Participation Rates Decline With Age

Cross-sectional data demonstrates that the labor force participation of men and women declines steadily among older age groups (table 3-1).

In the third quarter of 1986, 88.9 percent of men age 50 to 54 and 61.5 percent of women in this age group were in the labor force. By age 60 or 61, only about 69 percent of men and 41 percent of women were with the labor force. Among those 70 and older, only about 10 percent of men and 4 percent of women were in the labor force.

(Note.—People are considered to be a part of the labor force if they are either currently employed or unemployed but actively seeking work.)

TABLE 3-1.—LABOR FORCE PARTICIPATION BY AGE AND SEX, THIRD QUARTER 1986

[Numbers in thousands]

Labor force status [1]	60 to 64			65 plus		
	Total	Male	Female	Total	Male	Female
Civilian labor force	4,705	2,762	1,943	3,034	1,799	1,235
Labor force participation rate (percent)	43.4	55	33.4	11.0	15.8	7.6
Number employed	4,528	2,655	1,873	2,948	1,745	1,203

[1] Not seasonally adjusted.

Note: The U.S. labor force includes workers who are employed and actively seeking employment. The participation rate is the percentage of individuals in a given group (e.g., age group) who are in the labor force.

Source: U.S. Department of Labor, Bureau of Labor Statistics. Current Population Survey, unpublished.

(Note.—This data presents a picture of specific age groups at one point in time and does not necessarily imply a trend that follows the aging process specifically.)

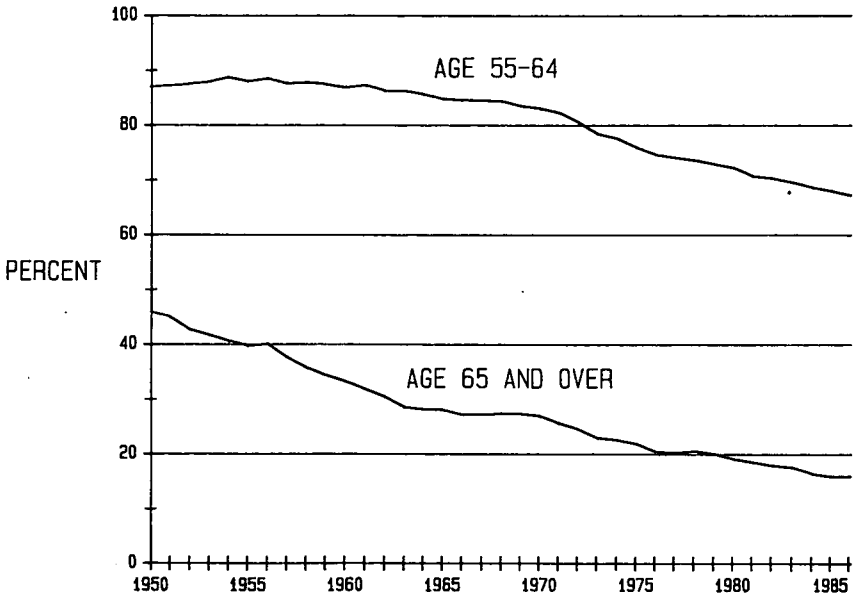
Workers who are age 55 to 64 make up close to 10 percent of the total U.S. work force, while 65-plus workers make up about 2.5 percent. In the third quarter of 1986, there were about 12 million workers age 55 to 64 (6.9 million men and 5 million women) and 3 million workers age 65-plus (1.8 million men and 1.2 million women).

The Labor Force Participation of Older Workers Is Continuing To Decline

The labor force participation of elderly men has dropped rapidly over the last 30 years (chart 3-2). In 1950, almost 50 percent of all elderly men were in the labor force; by 1960, this figure had dropped to 33 percent and, by 1970, to 25 percent. By the third quarter of 1986 only 16 percent of elderly men were in the labor force (table 3-1). The drop is due in part to an increase in voluntary early retirement and a drop in self-employment. The decrease in male labor force participation extends even to men in their fifties. Between 1960 and 1986 the labor force participation rate among males aged 55 to 59 had dropped to less than 79 percent from its early level of almost 92 percent.

CHART 3-2

LABOR FORCE PARTICIPATION OF OLDER MEN
1950 - 1986



SOURCE: U.S. Bureau of the Census and the Bureau for Labor Statistics

TABLE 3-2.—LABOR FORCE PARTICIPATION RATES BY AGE, SEX, AND RACE, THIRD QUARTER 1986

[Not seasonally adjusted]

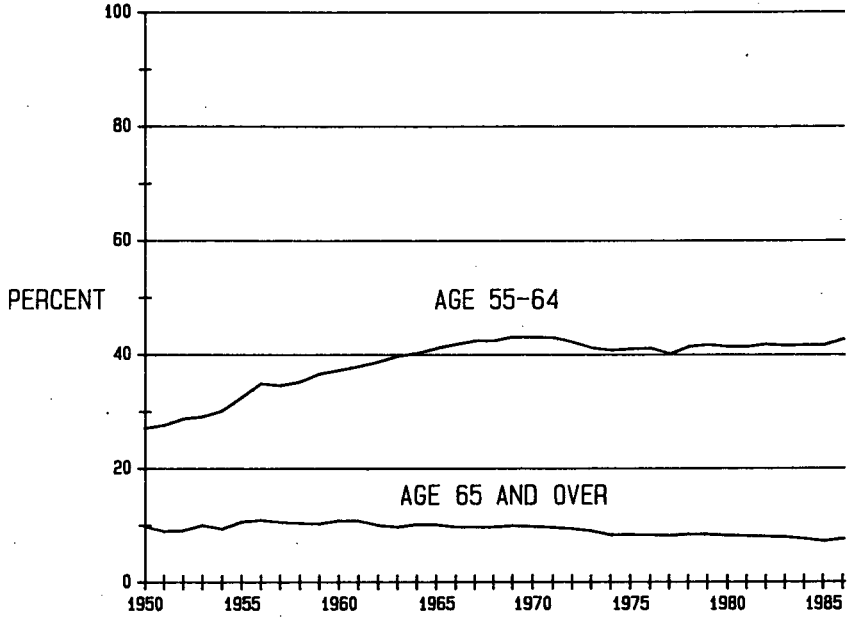
Sex and race	Age					
	50 to 54 years	55 to 59 years	60 to 61 years	62 to 64 years	65 to 69 years	70 years and over
Total male	88.9	78.6	68.7	45.4	24.6	10.4
Total female	61.5	52.0	40.6	28.5	14.6	4.3
White male	89.7	79.5	70.0	45.9	24.6	10.8
White female	61.7	51.5	40.9	28.1	14.8	4.3
Black male	81.6	68.5	54.4	38.5	22.1	6.4
Black female	61.4	54.0	37.4	30.1	13.2	4.7

Labor force participation of elderly women has varied only slightly (chart 3-3). In 1950, about 10 percent of elderly women worked and by the third quarter of 1986 the percentage had dropped slightly to 8 percent. For women over the age of 70, labor force participation dropped from 6 percent to 4 percent between 1950 and 1986. Over the same period, preretirement age women in the 55 to 64 age group have increasingly joined the work force: In 1950, only 27 percent of women in this age category worked, but by 1986 the proportion had risen to 43 percent. This is in marked con-

trast to labor force trends among men in the same age group and reflects the overall increase in labor force participation among women in general.

CHART 3-3

LABOR FORCE PARTICIPATION OF OLDER WOMEN
1950 - 1986



SOURCE: U.S. Bureau of the Census and the Bureau for Labor Statistics

Historically, labor force participation for black women has been much higher than for white women. Over the last 30 years, however, the rates have converged so rapidly that, in the third quarter of 1986, only about 1 percentage point separated the two groups (8 percent for elderly white females and 9 percent for elderly black females). The extent of labor force participation for older black males (13 percent) is lower today than the rate for older white men (16 percent), and it has fallen more rapidly in recent years.

Occupational Trends Are Shifting to Service and Light Industries

The U.S. economy has been shifting from agriculture and heavy industry to service and light industries. Labor force trends among older workers have mirrored this trend. In 1986, almost three-quarters of elderly workers were in managerial and professional; technical, sales and administrative support; and service occupations (tables 3-3 and 3-4 and chart 3-4). This shift from physically de-

manding or hazardous jobs to those in which skills or knowledge are the important requirements may increase the potential for older workers to remain in the labor force longer.

TABLE 3–3.—NONAGRICULTURAL EMPLOYMENT BY INDUSTRY BY AGE, THIRD QUARTER 1986

[Not seasonally adjusted]

	Age		
	55 to 59	60 to 64	65 plus
Distribution (in percent):[1]	100	100	100
Mining	1	1	1
Construction	7	6	5
Manufacturing—durables	14	14	6
Manufacturing—nondurables	8	8	6
Transportation/public utilities	8	6	3
Trade—wholesale and retail	18	20	25
Finance, insurance and real estate	7	7	9
Services[2]	32	33	41
Public administration	6	5	4

[1] May not add to 100 due to rounding.
[2] Excludes private household workers.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey, unpublished.

TABLE 3–4.—EMPLOYMENT BY OCCUPATION BY AGE, THIRD QUARTER 1986

[Not seasonally adjusted]

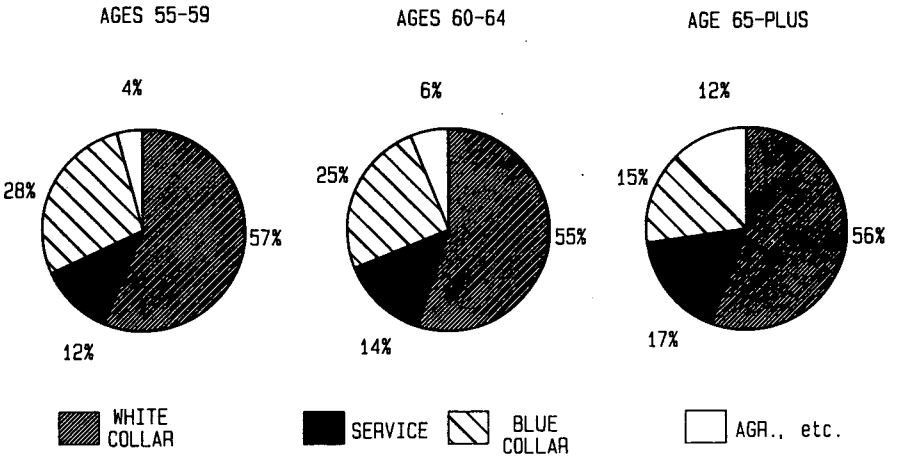
Occupation	Age		
	55 to 59	60 to 64	65 plus
Distribution (in percent):[1]	100	100	100
Managerial and professional	26	25	24
Technical, sales, administrative support	31	30	32
Service	12	14	17
Precision production, craft repair	13	11	7
Operators, fabricators, laborers	15	14	8
Farming, forestry, fishing	4	6	12
Armed Forces	0	0	0

[1] May not add to 100 due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey, unpublished.

CHART 3-4

OLDER WORKER EMPLOYMENT
BY OCCUPATION
1986



NOTE: White Collar occupations include Managerial/Professional and Technical/Sales/Administrative Support. Blue Collar occupations include Precision Production/Craft Repair and Operators/Fabricators/Laborers.
SOURCE: U.S. Bureau for Labor Statistics, Current Population Survey, unpublished.

According to labor projections developed by the Bureau of Labor Statistics (BLS), the majority of working older persons are currently employed in those industries that are expected to have the largest gains in employment.[3] BLS also predicts that over 80 percent of the overall increase in employment will occur in the three occupational groups that are the biggest employers of older persons—service, professional/managerial, and technical/sales/administrative support.

D. PART-TIME WORK

Part-Time Work Is an Increasingly Important Form of Employment for the Elderly

Part-time work is viewed by the working public of all ages as desirable during retirement.[4] According to results of a nationwide poll taken by Lou Harris in 1981, about three-quarters of the labor force prefer to continue some kind of paid part-time work after retirement. The majority of the labor force respondents to this survey felt that a flexible work schedule would be beneficial for retirees. Seventy-four percent of workers age 55 and over interviewed in the Harris survey, for instance, felt that a job that allows a day or two a week at home would be beneficial, 71 percent felt that a job

[3] Bureau of Labor Statistics. Employment Projections for 1995: Data and Methods. Bulletin 2253. April 1986.
[4] Harris, Louis and Associates. Aging in the Eighties: America in Transition. A Survey Conducted for the National Council on Aging, 1981.

shared with someone else would be beneficial and 57 percent felt that a flexible work schedule covering 70 hours every 2 weeks would be helpful. In contrast, far fewer individuals 55 and over (44 percent) felt that regular full-time jobs would be a help to them personally if they wanted to work after retirement.

TABLE 3–5.—EMPLOYED PERSONS 45 YEARS AND OVER ON PART-TIME AND FULL-TIME WORK SCHEDULES

[Percent distribution]

Sex and age	1960		1970		1982		1986 [1]	
	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time
Males:								
45 to 64	94	6	96	4	93	7	93	7
65 plus	70	30	62	38	52	48	53	47
Females:								
45 to 64	78	22	77	23	73	27	76	24
65 plus	57	43	51	49	40	60	41	59

[1] Third quarter.

Source: U.S. Department of Labor Statistics, Current Population Survey, unpublished.

Although the actual number of older persons working part time does not begin to equal the number who report that this would be desirable, for both men and women, the proportion of workers on part-time schedules increases with age. This trend has become more dramatic in the last two decades (table 3–5). For instance, from 1960 to 1986, the proportion of male workers age 45 to 64 on part-time schedules did not increase, but the proportion of 65-plus male part-time workers increased by more than 50 percent.

E. UNEMPLOYMENT

For the Elderly, Unemployment Results in Long-Term Problems

The unemployment rate for the elderly is about half that of younger workers, but once older workers lose their jobs, they stay unemployed longer than younger workers, suffer a greater earnings loss in a subsequent job than younger workers, and are more likely to give up looking for another job following a layoff.[5]

The majority of older persons do not want to work full time after retirement because they see retirement as a reward for years in the labor force or because they have disabling health problems. Almost two-thirds of retirees age 65 and over report that they left the work force by choice.[6] Of the remaining one-third who report that they were forced to retire, close to two-thirds claim to have retired because of disability or poor health and 20 percent because their employers had a mandatory retirement age.

Unemployment is a serious problem for those elderly persons who have to work for economic reasons or because they want to

[5] Rones, Phil. Labor Market Problems of Older Workers. Monthly Labor Review, May 7, 1983. Parnes, Herbert S., Mary G. Gagen, and Randall H. King. Job Loss Among Long Service Workers (Herbert Parnes, editor). Work and Retirement: A Longitudinal Survey of Men. MIT Press, 1981.

[6] Harris, Louis, 1981.

stay active. Based on third quarter figures for 1986, the unemployment rate for the elderly was 2.8 percent (table 3-6). Of Americans age 60 and over, 262,000 were out of work in the third quarters of 1986; 86,000 of these were age 65 or over. These numbers are not large compared to younger age groups, but because duration of unemployment is longer among older workers and there are relatively many more discouraged older workers than younger workers, the official unemployment rate is a poor indicator of the seriousness of the problem.

TABLE 3-6.—UNEMPLOYMENT BY AGE AND SEX, THIRD QUARTER 1986

[Not seasonally adjusted]

	60 to 64			65 plus		
	Total	Male	Female	Total	Male	Female
Number unemployed (in thousands)	176	107	70	86	54	32
Unemployment rate (percent)	3.7	3.9	3.6	2.8	3.	2.6

Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey, unpublished.

Older persons who are unemployed stay out of work longer than younger persons. In fact, persons age 55 to 64 have the longest spells of unemployment of any group in the country. For in-progress spells of unemployment, in which the job seeker has not yet found a job or given up the search for one, workers aged 55 to 64 in the third quarter of 1986 had an average of 25 weeks of unemployment as compared to 12.1 weeks for workers age 20 to 24.

Discouraged workers are those who have given up looking for jobs and no longer appear in either unemployment or employment statistics. For persons age 65 and over, the number of discouraged workers was 42 percent greater than the number unemployed in the third quarter of 1986. If added together, discouraged workers would add 3.8 percentage points to unemployment rates for persons 65-plus. This would, in effect, more than double current unemployment rates for older workers.

Older job seekers are far less likely to find a job than younger persons. If they do find a job, they are likely to suffer an earnings loss. Longitudinal data and surveys have demonstrated that the wages of rehired older workers are often so low that it discourages many from seeking work after losing a job. Fringe benefits for older workers are also less common, largely because most older workers are employed by small employers who have only limited, if any, benefits for their workers.

Chapter 4

HEALTH STATUS AND HEALTH SERVICES UTILIZATION

The majority of elderly persons in their younger retirement years are relatively healthy and are not as limited in activity as frequently assumed—even if they have a chronic illness. However, health and mobility does decline with advancing age. By the eighth and ninth decade of life, the chance of being limited in activity and in need of health and social services increases significantly.

This section describes the health status, health utilization patterns, and health expenses of the older population.

A. SELF-ASSESSMENT

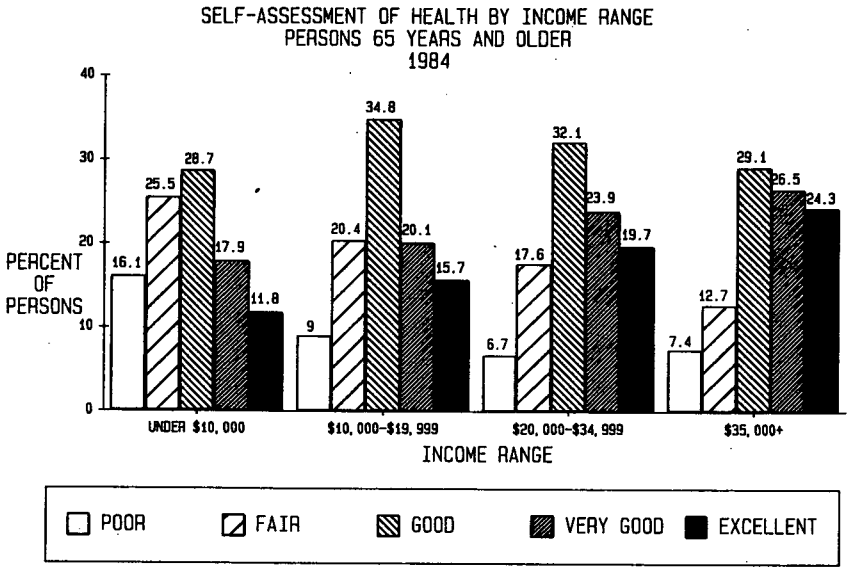
Older Persons Have a Positive View of Their Personal Health

Contrary to popular opinion, older people, on the average, view their health positively. According to results of the 1984 Health Interview Survey conducted by the National Center for Health Statistics, 67 percent of the elderly persons living in the community describe their own health as excellent, very good, or good compared with others of their own age; only 33 percent report that their health is fair or poor.[1] Although this survey excludes the institutionalized 65-plus population and, therefore, oversamples the healthy elderly, the results are a good indicator of overall health status of the elderly in the community.

Income is directly related to one's perception of his or her health (chart 4-1). About 20 to 25 percent of those with incomes over $20,000 described their health as excellent compared with others of their own age, while only 12 percent of those with low incomes (less than $10,000) reported excellent health.[2]

[1] National Health Interview Survey, Supplement on Aging, 1984, National Center for Health Statistics.
[2] Ibid.

CHART 4-1



SOURCE: National Center for Health Statistics, Health Interview Survey, 1984

B. CHRONIC CONDITIONS AND HEALTH PROBLEMS

Chronic Conditions, Although Not Necessarily Limiting, Are the Burden of Older Age

The pattern of illness and disease has changed in the past 80 years. Acute conditions were predominant at the turn of the century, chronic conditions are now the more prevalent health problem for elderly persons.[3] There has also been a change in the pattern of wellness within an individual's lifetime. As individuals grow older, acute conditions become less frequent and chronic conditions become more prevalent. Cross-sectional data has shown that the likelihood of suffering from a chronic illness or disabling condition increases rapidly with age. More than four out of five persons 65 and over have at least one chronic condition and multiple conditions are commonplace among older persons.

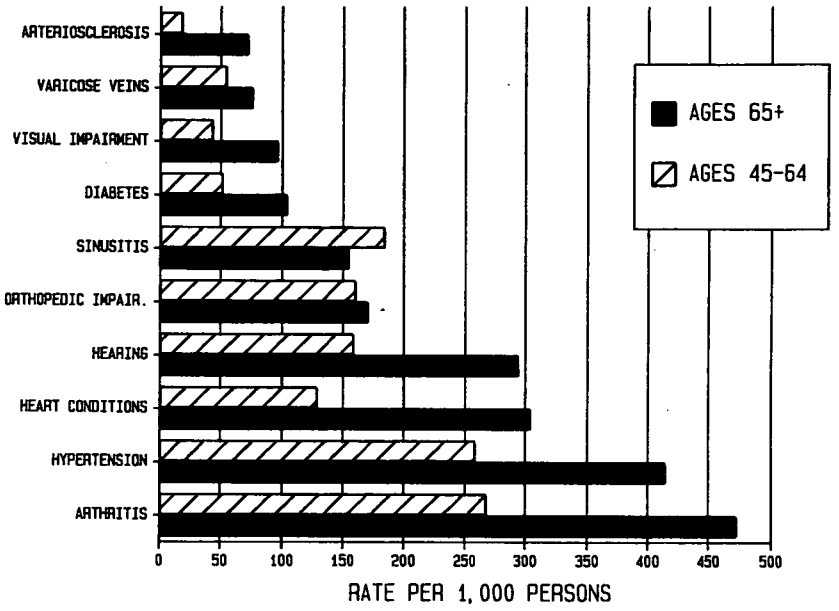
The leading chronic conditions for the elderly in 1985 were arthritis and hypertensive disease, heart conditions, and hearing impairments (chart 4-2). In most cases, the rates for these diseases are much higher for the elderly population than for persons 45 to 64. For instance, the likelihood of suffering from arthritis is 76 percent higher for those 65 and over than for those age 45 to 64; the

[3] National Center for Health Statistics. 1981 Ambulatory Medical Care Survey. Reported in U.S. Senate Special Committee on Aging. Aging America. 1984.

likelihood of hypertension is 60 percent higher for the older age group.

CHART 4-2

MORBIDITY FROM TOP TEN CHRONIC CONDITIONS: 1985



SOURCE: National Center for Health Statistics, 1985 HIS Survey

Most visits to the hospital among older persons are for chronic conditions. Digestive conditions, genitourinary conditions and injuries are the leading causes of hospitalization among the elderly. Likewise, most physician visits by older persons are for such chronic conditions as circulatory problems, diabetes, arthritis, and eye problems.

The types of conditions experienced by older people vary by sex and race. Older men are more likely than women to experience acute illnesses that are life threatening, while elderly women are more likely to have chronic illnesses that cause physical limitations. Osteoporosis, for example, is much more common among older women than men, while coronary heart disease is much more common among older men. The health situation of elderly blacks is generally poorer than that of elderly whites. For example, hypertension was more prevalent among blacks 65 to 74 years old (45 percent) than whites (33 percent) according to health data from 1971-75.[4]

Severe chronic illness can prevent individuals from functioning independently, increasing the need for long-term care services. In 1985, an estimated 5.2 million persons 65 years or older are expect-

[4] U.S. Bureau of the Census. Prepared by Jacob S. Seigel. Demographic and Socioeconomic Aspects of Aging in the United States. Series P-23, No. 138.

ed to be mildly to severely disabled and in need of assistance and special aids to maintain independence. This figure is expected to reach 7.2 million by the turn of the century, 10.1 million by the year 2020, and 14.4 million by 2050.[5]

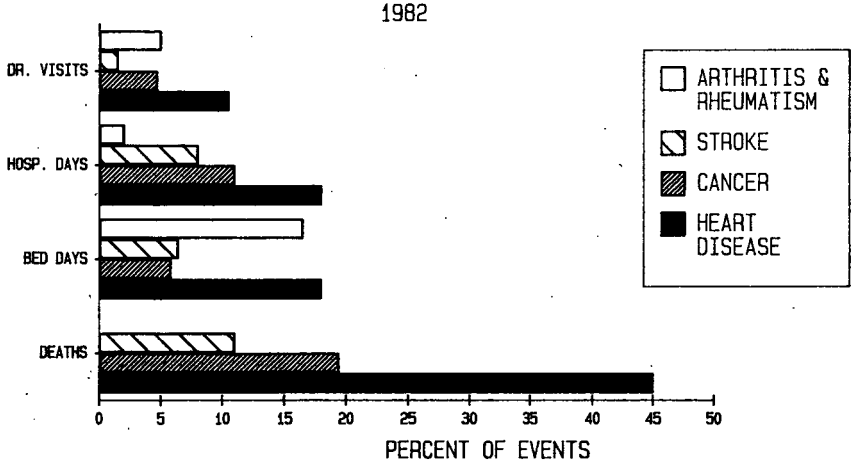
The severity of certain chronic diseases may be reduced in the near future by new technologies. Such clinical innovations as renal dialysis, insulin pumps, and medications to reduce vascular spasming after a stroke are examples of recent advances that could benefit older persons.

Heart Disease is the Leading Health Problem for the Elderly

Heart disease leads all other conditions in each of four major indicators of mortality or health care utilization. It accounts for 10 percent of all doctor visits, 18 percent of all short-stay hospital and bed disability days, and 45 percent of all deaths (chart 4-3). Sex differences in heart disease mortality are dramatic. In 1983, the age adjusted death rate was more than twice as high for white men than for white women. Although heart disease remains the major contributor to poor health and death in old age, the past three decades have shown a marked decline in death rates for heart disease. One probable contributing factor to the overall decline in heart disease mortality of the past three decades has been an increase in the control of hypertension, a major risk factor in heart disease.[6]

CHART 4-3

PROPORTION OF MEDICAL EVENTS BY CONDITIONS
PERSONS AGE 65 AND OLDER
1982



SOURCE: Reported in Health: United States: 1982, National Center for Health Statistics

Heart disease, cancer, and stroke together account for over three-quarters of all deaths among the elderly. They also are responsible

[5] Manton and Liu, 1984.
[6] National Center for Health Statistics: Health, United States, 1985.

for about 2 percent of doctor visits, 40 percent of hospital days, and 50 percent of all days spent in bed. Arthritis and rheumatism, the leading chronic conditions, on the other hand, account for relatively few deaths and only 2 percent of hospital days. They do, however, account for 16 percent of days spent in bed, nearly as much as for heart disease.

Mental Health Problems of the Elderly Are Significant in Their Impact on Mental Status and Emotional State in Later Life

The mental health problems of the elderly are significant in frequency, in their impact on mental status in later life, and in their potential influence on the course of physical illness in older adults. Studies over the last several decades have documented that between 15 and 25 percent of older persons have serious symptoms due to mental disorders.[7] More recent reports have continued to document comparably high levels of major disorders, symptoms, and suicide. The number of persons with mental disorders living in nursing homes continues to rise. At the same time, 27 percent of State mental hospital patients are 65 years of age or older.

Alzheimer's disease is the leading cause of cognitive impairment in old age.[8] Alzheimer's disease and other organic mental disorders affect more than 6 percent of older adults. Cognitive impairment, whether from Alzheimer's or other causes, is one of the principal reasons for institutionalization of the elderly.

Suicide remains more frequent in the elderly than in any other age group, and is highest in white men; suicide is nearly 25 percent more common among white males 65–74 in comparison to their counterparts 18–24, and it is over 70 percent more common among white men 75–84 as compared to those 18–24.[9]

The relationship between mental and physical health is particularly significant among older persons. There is a growing body of knowledge pointing out the adverse effects of mental health problems on the course of illness in later life.[10] Psychiatric consultation has had a positive effect on the length of stay and outcome for cardiac surgery patients.[11]

Depression plays an important role in the overall health status of older persons. Symptoms of depression have been described in as many as 15 percent of older persons living in the community. While differing rates of depression have been reported to describe the profile of mental health in old age, these rates may be misleading because they often reflect only "primary" depressions—depressions that occur for other than physical causes or drug side effects. When the numbers of those who suffer from secondary depression are factored in, a more accurate picture of depression in late life

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[7] Roth, M. The Psychiatric Disorders of Later Life. Psychiatric Annals, 6:57–101, 1976.

[8] Mortimer, J.A. Alzheimer's Disease and Senile Dementia: Prevalence and Incidence, in Alzheimer's Disease, edited by Reisberg. New York, The Free Press, 1983.

[9] Blazer, Bachar, and Manton: Suicide in Later Life: Review and Commentary, JAGS, 34:519–525, 1986.

[10] Cohen, G. Toward an Interface of Mental and Physical Health Phenomena in Geriatrics: Clinical Findings and Questions, in Aging 2000: Our Health Care Destiny, Volume I, edited. New York, Springer-Verlag, 1985.

[11] Levitan and Kornfeld: Clinical and cost benefits of liaison psychiatry. American Journal of Psychiatry 138: 790–793, 1981.

emerges. Older people are more at risk for secondary depressions, due to illness or drug side effects, than any other age group because they suffer from more physical illness and take more medication than other age groups.

Many factors have contributed to what has become a sicker nursing home population now as compared to the past. This applies to both the mental and physical health of nursing home residents. Mental health problems, however, have always been high in nursing home patients. Several studies have found as many as 70 to 80 percent of residents experiencing psychiatric problems. One recent study identified 94 percent of the residents of a nursing home with mental disorders.[12]

C. ACTIVITY LIMITATION

One of Five Elderly Persons Has Some Degree of Limitation While a Small Proportion Are Severely Disabled

The severity of any disease can differ tremendously from person to person, causing varying degrees of limitation in activity. For example, one person with arthritis may become housebound, while another only suffers from occasional flare-ups. In 1984, a special supplement to the National Health Interview survey was added to collect information about the physical limitations of older people living in the community.

A widely used measure of disability among older persons is the number of people with activity of daily living limitation (ADL). On the ADL scale, disabled individuals are classified as mildly disabled (an ADL of one to two), disabled (an ADL of three to four) or severely disabled (an ADL of five to six). Data from the supplement on aging show that over 22 percent of older persons living in the community have some degree of disability (table 4–1). Women have more difficulty with ADL's than men. For those who have ADL limitation, less than half received help from some source.

TABLE 4–1.—PEOPLE AGE 65 AND OVER LIVING IN COMMUNITIES, UNITED STATES, 1984

	Both sexes	Men	Women
	Number of people in thousands		
Total	26,433	10,787	15,645
	Percent of people		
Total	100.0	100.0	100.0
With difficulty with ADL's or IADL's:			
ADL's	22.7	18.7	25.4
IADL's only	9.9	6.5	12.3
Neither	67.4	74.7	62.3
Receives help with ADL's or IADL's:			
ADL's	9.6	7.8	10.9
IADL's only	14.0	8.8	17.6
Neither	76.3	83.4	71.4

Source: National Center for Health Statistics, National Health Interview Survey, Supplement on Aging, 1984.

[12] Rovner, et al: Prevalence of mental illness in a community nursing home. American Journal of Psychiatry 143: 1446–1449, 1986.

Rates of Limitation Increase With Age

Although 60 percent of people over age 65 have no limitation of activity, the chance of being severely limited increases for the oldest age groups. In fact, for the oldest-old, the 85-plus generation, the rates reverse, as 60 percent of this group is limited to some degree. Almost one-quarter of persons over age 85 are unable to perform usual activities compared to 11 percent of those in the 65 to 74 age group (table 4-2). For those 75 years and over, 10 percent of men and 12 percent of women are unable to perform daily activities.

TABLE 4-2.—PERCENT OF THE 65-PLUS POPULATION LIVING IN THE COMMUNITY WITH ACTIVITY LIMITATIONS

Age	Mildly disabled [1]	Disabled [2]	Severely disabled [3]
65 to 74:			
Men	14.2	9.9	15.9
Women	14.8	14.4	8.2
Both sexes	14.5	12.4	11.6
75 and over:			
Men	20.2	10.7	9.8
Women	13.9	18.5	12.0
Both sexes	16.2	15.6	11.2
85-plus	13.8	24.6	22.0
65-plus	15.2	13.6	11.4

[1] Limited in outside activities only.
[2] Kind or amount of activity.
[3] Unable to perform usual activity.

Source: National Center for Health Statistics, National Health Interview Survey, Supplement on Aging, 1984.

Another measure of activity limitation is the number of days a person is confined to bed. Again, we find differences in this health indicator within the 65 and over population. For those aged 85 and over living in the community, 3.4 percent are always confined to bed. In contrast, only 1 percent of the 65 to 74 age group was similarly limited. Sixty-two percent of the total older population spent no days confined to bed in 1984 (table 4-3).

TABLE 4-3.—PERCENT OF THE 65-PLUS POPULATION IN THE COMMUNITY CONFINED TO BED

Bed days in year	Age			
	65 to 74	74 to 84	85 plus	65 plus
0	63.5	61.3	55.8	62.2
1 to 6 days	14.5	12.9	12.1	13.8
7 to 13 days	6.7	7.4	8.7	7.1
14 to 27 days	6.5	7.0	6.3	6.6
28 to 365 days	7.8	9.9	13.9	8.9
Always	1.0	1.6	3.4	1.4

Source: National Center for Health Statistics, National Health Interview Survey, Supplement on Aging, 1984.

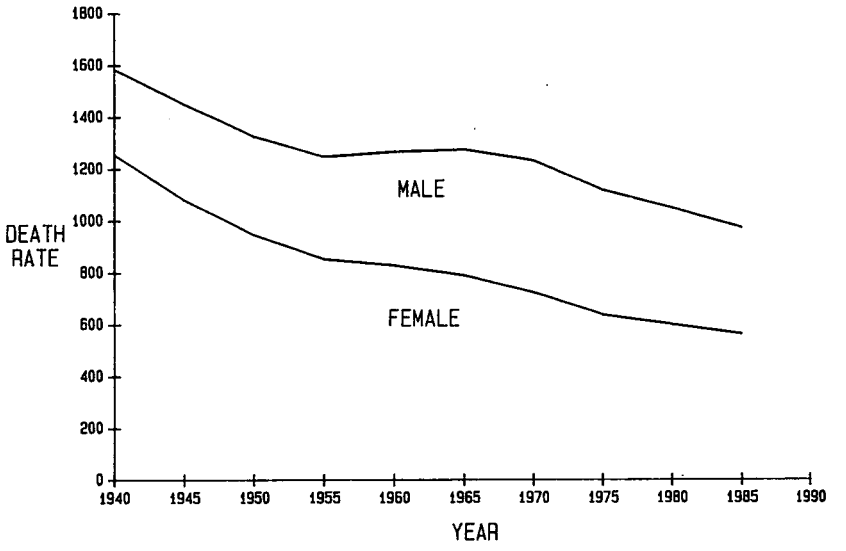
D. MORTALITY

Death Rates for the Elderly Have Improved Dramatically in the Last Four Decades

The last four decades have seen tremendous improvement in life expectancy (see chapter 1). The age-adjusted death rate for the elderly decreased by 47 percent, 39 percent for men and 55 percent for women, from 1940 to 1985 (chart 4-4).

CHART 4-4

AGE ADJUSTED DEATH RATES
(PER 100,000) FOR TOTAL POPULATION



SOURCE: Social Security Area Population Projections 1986, Actuarial Study No. 97

(Note.—Analysis of trends in mortality is enhanced by examining age-adjusted death rates which are relatively free from the distortions associated with a changing age composition. Age-adjusted death rates show what the level of mortality would be if there were no changes in the age composition of the population from year to year.)

An examination of the crude death rate, the actual number of people who died per 100,000 population, reveals that the death rate has increased slightly from its low point in 1982. In 1985, 874.8 deaths per 100,000 persons were recorded as compared to 852.0 in 1982 and 878.3 in 1980 (table 4-4).

TABLE 4–4.—DEATH RATES [1] FOR ALL CAUSES ACCORDING TO AGE 1950–85

Age	1950	1960	1970	1980	1981	1982	1983	1984	1985
All ages, age adjusted [2]	1,116.4	1,024.8	948.6	795.4	773.1	750.0	754.2	752.0	739.7
All ages, crude	963.8	954.7	945.3	878.3	862.4	852.0	862.8	862.3	874.8
55 to 64	1,911.7	1,735.1	1,658.8	1,346.3	1,322.1	1,297.9	1,299.5	1,289.6	1,284.7
65 to 74	4,067.7	3,822.1	3,582.7	2,994.9	2,922.3	2,885.2	2,874.3	2,864.4	2,839.1
75 to 84	9,331.1	8,745.2	8,004.4	6,692.6	6,429.0	6,329.8	6,441.5	6,416.5	6,411.3
85 and over	20,196.9	19,857.5	17,539.4	15,980.3	15,228.6	15,048.3	15,168.0	14,890.1	15,486.3

[1] Per 100,000 persons.
[2] Age adjusted rates from the Social Security Administration, Population Projections Actuarial Study No. 97.

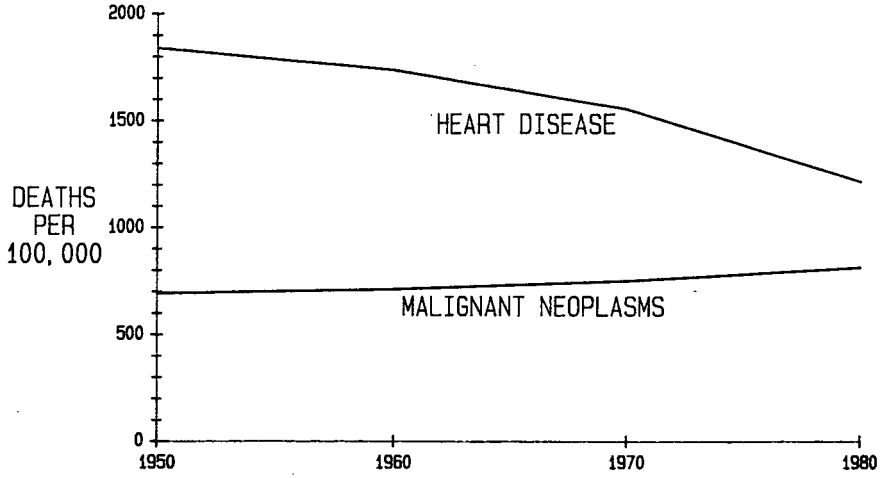
Source: National Center for Health Statistics. Monthly Vital Statistics Reports, vol. 34, no. 13, Sept. 19, 1986, and vol. 35, no. 6, supp. (2), Sept. 26, 1986.

Heart Disease, Cancer, and Stroke Are the Leading Causes of Death for the Elderly

In the United States, three out of four elderly persons die from heart disease, cancer, or stroke. Heart disease was the major cause of death in 1950, and remains so today even though there have been rapid declines in death rates from heart disease since 1968, especially among females. Death rates from cancer continue to rise in comparison to heart disease, especially deaths caused by lung cancer (chart 4–5). In 1985, however, heart disease accounted for 38 percent of all deaths among persons 65 to 74, while cancer accounted for 30 percent of all deaths in this age group.[13] Even if cancer were eliminated as a cause of death, the average life span would be extended by only 2 or 3 years because of the prevalence of heart disease. Eliminating deaths due to major cardiovascular-renal diseases, on the other hand, would add an average of 11.4 years to life at age 65, and would lead to a sharp increase in the proportion of older persons in the total population.

CHART 4-5

DEATH RATES FOR PERSONS AGE 65-74
FOR HEART DISEASES AND MALIGNANT NEOPLASMS
1950-1980



SOURCE: U.S. Dept. of Health and Human Services, Public Health Service, "Health-U.S." 1983

The third leading cause of death among the elderly—stroke (cerebrovascular disease)—has been decreasing over the past 30 years. Reasons for the dramatic decline are not fully understood. Part of

[13] National Center for Health Statistics: Annual summary of births, marriages, divorces and deaths, United States, 1985. Monthly Vital Statistics Report. Vol. 34, No. 13.

the decline may be attributable to better control of hypertension. Better diagnosis and improved management and rehabilitation of stroke victims may also be related factors.[14] In 1985, cerebrovascular disease accounted for only 6 percent of all deaths in the 65 to 74 age group.

Table 4-5 shows the 10 leading causes of death for three subgroups of the older population.

TABLE 4-5.[1]—DEATHS BY OLDER AGE GROUP FOR 10 LEADING CAUSES OF DEATH, 1984

[Rates per 100,000 population specified group]

	55-64	65-74	75-84	85 plus
All causes	1,288	2,848	6,399	15,224
Diseases of heart	450	1,103	2,749	7,251
Malignant neoplasms	448	835	1,272	1,604
Cerebrovascular diseases	56	177	626	1,884
Accidents and adverse effects	36	50	107	257
Chronic obstructive pulmonary disease	46	141	270	331
Pneumonia and influenza	17	54	216	883
Diabetes	25	59	126	217
Suicide	17	19	22	18
Chronic liver/cirrhosis	35	39	33	19
Atherosclerosis	4	17	88	488

[1] The numbers have been rounded.

Source: National Center for Health Statistics; advance report of final mortality statistics, 1984. Monthly Vital Statistics Report. Vol. 35, No. 6 Supp. (2). DHHS Pub. No. (PHS) 86-1120. Public Health Service, Hyattsville, Md., September 26, 1986.

The factors which have led to reductions in mortality may or may not also lead to overall improvements in health status. If Americans continue to live only to about age 85, control of life-threatening disease could produce a healthier older population. But, if the life-span is increased dramatically in future years beyond age 85, the onset of illness may only be delayed, without an actual shortening of the period of illness.

(NOTE.—It should be noted, that data for causes of death is based on information taken from death certificates and that frequently, underlying causes are not listed but a secondary illness will be recorded.)

E. HEALTH SERVICES UTILIZATION

THE ELDERLY ARE THE HEAVIEST USERS OF HEALTH SERVICES

With a greater prevalence of chronic conditions than in the population at large, older persons use medical personnel and facilities more frequently than younger persons. On the average, persons 65-plus visit a physician six times for every five visits by the general population. They are hospitalized approximately twice as often as the younger population, stay twice as long, and use twice as many prescription drugs.[15]

Health care utilization is greatest in the last year of life and among the oldest of the old. According to the recent work of Lawrence Branch at Harvard Medical School, those 85 and older have a three-fold greater risk of losing their independence, seven times the

[14] National Center for Health Statistics: Health, United States, 1985.

[15] National Center for Health Statistics Tabulations. Reported in U.S. Senate Special Committee on Aging. Developments in Aging: 1984, vol. 1.

chance of entering a nursing home and two-and-a-half times the risk of dying compared to persons 65 to 74 years of age.[16]

Hospital Usage

Although total short-stay hospital admissions of the elderly continue to decrease, the overall rate of hospital use remains 57 percent above the 1965 level, the year Medicare was enacted (chart 4-6). 1985 marked the first year the overall population discharge rate dropped below 150 per 1,000. This is primarily because of an 11 percent drop in overall admission rates from 1983 to 1985. The average stay for all Americans in 1985 was 6.5 days compared with 7.7 days a decade ago.

In 1985, the hospital discharge rate (number of discharges over 1,000 population) for those 85 and over was 91 percent higher than that for the 65- to 74-year-old group (table 4-6). The average hospital stay for persons age 65 to 74 was about 8 days in 1985 compared with about 10 days for the 85-year-and-over group (chart 4-7). For the elderly, the average length of stay in hospitals has been declining somewhat as it has for all age groups. While the length of stay has been growing shorter, it is offset somewhat by an increase in multiple admissions during a year.

TABLE 4-6.—UTILIZATION OF SHORT-STAY HOSPITALS FOR SELECTED AGE GROUPS, 1985

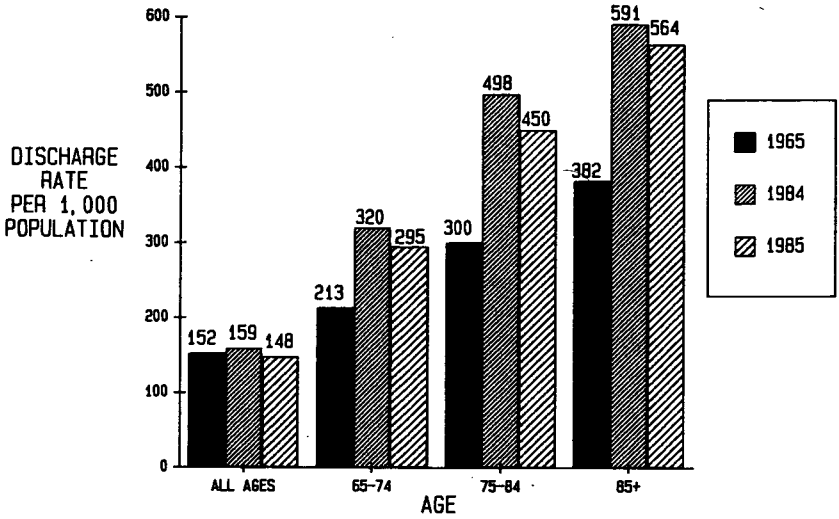
Age group	Discharged patients			Days of care			
	Number in thousands	Percent distribution	Rate per thousand	Number in thousands	Percent distribution	Rate per thousand	Average length of stay
All ages	36,056	100.0	147.9	226,217	100.0	954.4	6.5
45 to 64	7,610	21.7	169.5	53,541	23.7	1,192.8	7.0
65 to 74	5,011	14.3	294.9	41,090	18.2	2,417.8	8.2
75 to 84	3,969	11.3	449.8	36,024	15.9	4,082.5	9.1
85 plus	1,528	4.4	563.6	14,612	6.5	5,389.8	9.6
65 plus	10,508	30.0	368.3	91,726	10.5	3,215.1	8.7

Source: National Center for Health Statistics, National Hospital Discharge Survey, 1985.

[16] Soldo and Manton, 1984.

CHART 4-6

USE OF SHORT STAY NON-FEDERAL HOSPITALS
CHANGE SINCE MEDICARE WAS ENACTED
1965, 1984, 1985



SOURCE: National Center for Health Statistics, National Hospital Discharge Survey, 1965, 1984, and 1985

Most hospital admissions of older persons are for acute episodes of a chronic condition. The most frequent reason for hospitalization in 1985 was heart failure/shock (table 4-7). The 10 most common DRG's account for 28.4 percent of 1985 discharges. The top three, heart failure and shock, simple pneumonia, and angina pectoris, make up 12.2 percent of the discharges reported that year. The average length of stay for these 10 DRG's varies from 4.9 days for angina pectoris to 9.6 days for specific cardiovascular disorders.[17]

TABLE 4-7.—THE 10 MOST COMMON DRG'S REPORTED FOR PROSPECTIVE PAYMENT SYSTEM DISCHARGES, FISCAL YEAR 1985

Rank	DRG No.	Description	Number of discharges	Percentage of PPs	Average length of stay
1	127	Heart failure and shock	329,727	5.1	7.6
2	089	Simple pneumonia and pleurisy	328,798	3.7	8.4
3	140	Angina pectoris	216,416	3.4	4.9
4	182	Esophagitis, gastroenteritis, miscellaneous digestive disorders.	213,102	3.3	5.5
5	014	Specific cerebrovascular disorders	199,389	3.1	9.6
6	138	Cardiac arrhythmia and conduction disorders	136,476	2.1	5.5
7	296	Nutritional and miscellaneous metabolic disorders.	134,959	2.1	7.0

[17] Department of Health and Human Services, Health Care Financing Administration, HCFA Background Paper, January 1986.

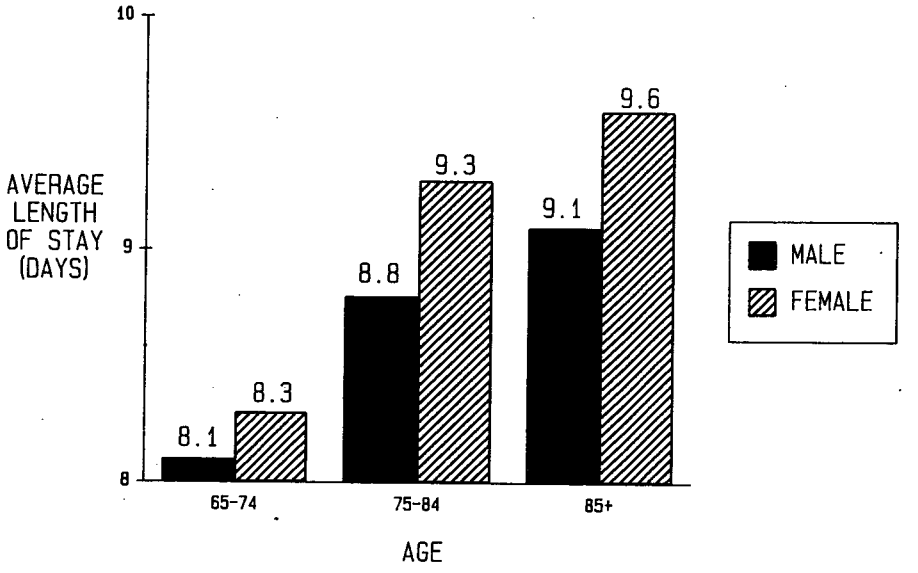
TABLE 4-7.—THE 10 MOST COMMON DRG'S REPORTED FOR PROSPECTIVE PAYMENT SYSTEM DISCHARGES, FISCAL YEAR 1985—Continued

Rank	DRG No.	Description	Number of discharges	Percentage of PPs	Average length of stay
8	096	Bronchitis, asthma	130,539	2.0	6.7
9	243	Medical back problem	115,161	1.8	6.8
10	088	Chronic obstructive pulmonary disease	113,866	1.8	7.5

Source: Department of Health and Human Services, Health Care Financing Administration, HCFA Background Paper, January 1986.

CHART 4-7

DURATION OF STAY BY ELDERLY
IN SHORT-STAY NON-FEDERAL HOSPITALS BY AGE
1985



SOURCE: National Center for Health Statistics, Hospital Discharge Survey, 1985

In 1985, the elderly, who comprised 12 percent of the population, accounted for 30 percent of all hospital discharges. The population 75 and over, only 4.4 percent of the population, accounted for 22.4 percent of short-stay hospital days.[18]

Physician Services

Utilization of physician services increases with age (table 4-8). In 1985, persons aged 45 to 64 averaged 3.1 doctor visits a year, while persons age 65 years and over averaged 4.8 visits.[19] The likelihood

[18] National Center for Health Statistics: 1985 summary, National Hospital Discharge Survey.
[19] National Center for Health Statistics, McLemore and Delozier: 1985 Summary: National Ambulatory Medical Care Survey. Advance Data from Vital and Health Statistics, No. 128.

of seeing a doctor at least once during a given year increases slightly with age. Among those in the 65 to 74 age group, 80 percent reported seeing a doctor in the last year, compared to 83 percent of those age 75 years or older. For the 65 and over age group, 32 percent visited the doctor 3-6 times annually, with 3 percent having 25 contacts or more.[20] Since the enactment of Medicare, the average number of physician contacts and the percentage of persons 65 and over reporting that they had seen a physician in the last year, has increased significantly, particularly for persons with low income.[21]

TABLE 4-8.—VOLUME OF PHYSICIAN VISITS—1983 [1]

All ages	1,164,101
25 to 44	321,448
45 to 64	255,359
65 to 74	116,409
65 plus	196,970
75 plus	80,561
65 plus as a percent of the total equals 16.9.	

INTERVAL SINCE LAST VISIT

[In thousands]

	Less than 1 year	1 to 2 years	2 to 5 years	5-plus years
All ages	1,168,711	24,676	23,531	8,836
25 to 44	47,542	8,135	8,373	3,048
45 to 64	31,892	4,294	4,976	2,430
65 to 74	12,828	1,045	1,228	817
75 plus	8,259	485	599	410
Percentages:				
All ages	74.7	10.9	10.4	3.9
25 to 44	70.9	12.1	12.5	4.5
45 to 64	73.2	9.9	11.4	5.6
65 to 74	80.6	6.6	7.7	5.1
75 plus	84.7	5.0	6.1	4.2

AVERAGE NUMBER OF VISITS PER PERSON PER YEAR

	Percent
All ages	5.1
25 to 44	4.7
45 to 64	5.8
65 to 74	7.3
75 plus	8.2

[1] "Visits" include all contacts with a physician.

Source: Unpublished data from the National Health Interview Survey 1983, National Health Center for Health Statistics.

The aging of the population will create a greater demand for physician care. According to projections based on 1980 physician visit rates (153 million visits) and U.S. Census Bureau population

[20] National Center for Health Statistics. Health Interview Survey. Unpublished Tabulations, 1983.
[21] Ibid.

projections, the need for physician visits will increase by 18 percent (over 30 million visits) by the year 2000, by 30 percent (over 50 million visits) by 2020, and by over 36 percent (over 110 million visits).[22]

The disparity between the elderly and nonelderly populations in the use of physician services is not as great as the disparity for other forms of health care. In 1980, persons under 65, 89 percent of the population, accounted for 85 percent of physician visits, while those 65 or over, 11 percent of the population, accounted for 15 percent of visits.[23]

Nursing Home Stays

Only about 5 percent of the elderly population are in nursing homes at any given time, but 20 percent will spend time in a nursing home during their lifetime. By the end of 1985, an estimated 1.5 million elderly persons will have lived in nursing homes during the year.[24] In this year, an estimated 2 percent (295,000) of those aged 65 to 74 years will be in a nursing home compared to about 7 percent (627,000) of persons aged 75 to 84 years, and about 16 percent (489,000) of persons 85-plus. The rate of nursing home use by the elderly has almost doubled since the introduction of Medicare and Medicaid in 1966, from 2.5 to 5 percent of the over-65 population.

Nearly 75 percent of nursing home residents are without a spouse, as compared to just over 40 percent of the noninstitutionalized elderly. Such statistics, along with those which show that nursing home residents tend to have health problems which significantly restrict their ability to care for themselves, suggest that the absence of a spouse or other family member who can provide informal support for health and maintenance requirements is the most critical factor in the institutionalization of an older person.

It is likely that the nursing home population will continue to grow rapidly, partly because of the growth in the size of the very old populations, and partly because of the increasing gap in life expectancy between husbands and wives. Projections reported by demographers Manton and Soldo predict that between 1985 and 2000, the nursing home population will increase from 1.4 to 2 million, and, by 2040, it will more than double again to 4.6 million (chart 4-8). Nursing home residents are disproportionately very old, female, white, and currently unmarried.[25]

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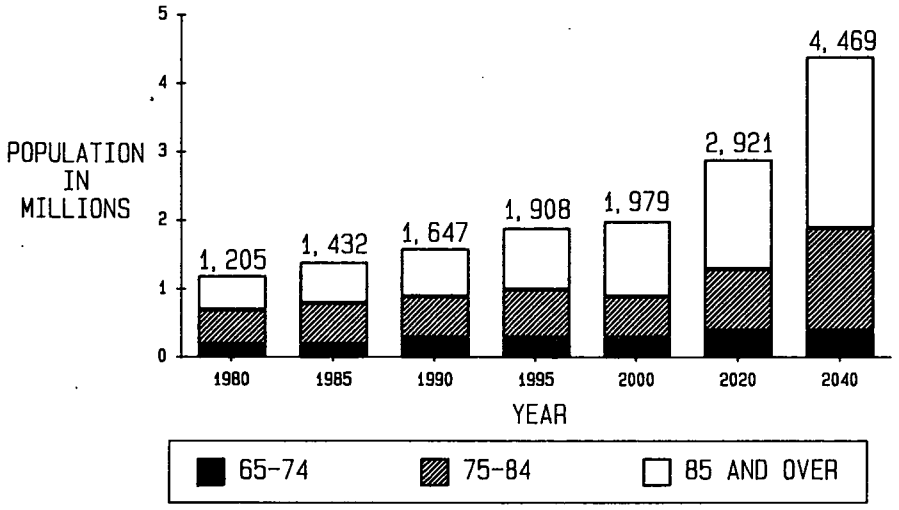
[22] U.S. Senate Special Committee on Aging, 1984.
[23] National Center for Health Statistics, Health Interview Survey, 1983.
[24] Manton and Liu, 1984.
[25] Manton and Soldo, "Dynamics of Health Changes in the Oldest Old, New Perspectives and Evidence," Milbank Memorial Fund Quarterly, Vol. 63, No. 2, Spring 1985.

CHART 4-8

NURSING HOME POPULATION PROJECTIONS
PERSONS 65 YEARS AND OLDER BY AGE GROUP
1980-2040



SOURCE: Manton and Soldo, "Dynamics of Health Changes in the Oldest Old: New Perspectives and Evidence," Milbank Memorial Fund Quarterly, Vol. 63, No. 2, Spring 1985

F. COMMUNITY HEALTH SERVICES

"Informal Supports" Provide the Majority of Community Services to Those Elderly Who Are Disabled

Friends, spouses, and other relatives provide valuable assistance to elderly persons who have disabling health problems but live outside of institutions. Data from the Health Care Financing Administration's Long-Term Care Survey demonstrate that, for the disabled older population living in the community, relatives provide 84 percent of all care to males and 79 percent to females (table 4-9).[26] More wives than husbands provide care to disabled spouses, reflecting the fact that women outlive men by an average of 7 years. More than one-third of all elderly disabled men living in the community are cared for by a wife, while only 1 in 10 elderly disabled women are cared for by a husband.

[26] Manton and Liu, 1984.

TABLE 4-9.—PERCENT DISTRIBUTIONS OF CAREGIVERS BY RELATIONSHIP TO 65-PLUS INDIVIDUAL WITH ACTIVITY LIMITATIONS

	Care recipient	
	Male	Female
65 to 74:		
Spouse	45	18
Offspring	21	29
Other relative	21	33
Formal	13	20
75 to 84:		
Spouse	35	8
Offspring	23	35
Other relative	25	36
Formal	19	23
85 plus:		
Spouse	20	2
Offspring	34	39
Other relative	27	36
Formal	19	23
All 65 plus:		
Spouse	37	10
Offspring	24	34
Other relative	23	35
Formal	16	21

Source: Preliminary data from the 1982 National Long-Term Care Survey.

With increasing age, the support given by spouses decreases as other family members and "formal" caregivers compensate for the loss. Children of aging parents provide care to about one-quarter of elderly males in this category and to slightly over a third of elderly women. Other relatives such as siblings or nieces are also giving substantial care to elderly disabled family members, providing 23 percent of all community care to men and 35 percent of women.

Other Health Services

Utilization of health care other than hospital, nursing home, or physician services varies by service (nursing home utilization is discussed in a seprate section). Elderly persons visit dentists less often than the younger population.[27] For instance, in 1981, only 35 percent of the 65 and older population had seen a dentist in the last year compared to 52 percent of the population 45 to 64.[28] However, for prescription drugs, vision aids, and medical equipment and supplies, the older population have higher rates of usage than the younger population.[29] According to the 1977 National Medical Care Utilization Survey conducted by the National Center for Health Statistics, 75 percent of the elderly had been prescribed at least one prescription drug as compared to 58 percent of the total population. The elderly also had slightly higher rates for use of vision aids and twice the rate for use of medical equipment and supplies than the younger population.

[27] National Center for Health Statistics, Health Interview Survey, unpublished tabulations, 1983.
[28] Ibid.
[29] Waldo and Lazenby, Demographic characteristics and health care use and expenditures by the aged in the United States: 1977-84. Health Care Financing Review. Fall 1984, vol. 6, No. 1.

Home health care is a small but rapidly growing segment of the health care delivery system, increasing at an estimated average annual rate of 20–25 percent in recent years. Forty-two percent of the Nation's hospitals offer home health services. In 1984, 1.5 million Medicare beneficiaries received 41 million home care visits, representing an 80-percent increase since 1980.[30] Use of home health services varies by age. Out of every 1,000 Medicare enrollees 65 and 66 years of age, 14 received Medicare-reimbursed home health care in 1980 compared with 74 out of every 1,000 persons who are 85 years or older.[31]

G. HEALTH CARE EXPENDITURES

Almost One-Third of All Personal Health Care Expenditures Benefit the Elderly

Persons 65 and over, 12 percent of the population, account for one-third of the country's total personal health care expenditures (total health care from all sources exclusive of research). Per capita spending for health care for the elderly reached $4,200 in 1984, representing a 13-percent annual growth rate from 1977. Of this total, the elderly paid over one-third through direct payments to providers or indirectly through premiums for insurance. Total personal health care expenditures of the elderly were $119.9 billion million in 1984 (table 4–10).

TABLE 4–10A.—PERCENT DISTRIBUTION OF PERSONAL HEALTH CARE EXPENDITURES PER CAPITA FOR PEOPLE 65 YEARS OF AGE OR OVER, BY SOURCE OF FUNDS AND TYPE OF SERVICE: UNITED STATES, 1984

Year and source of funds	Type of service				
	Total care	Hospital	Physician	Nursing home	Other care
1984:					
Total per capita	100.0	100.0	100.0	100.0	100.0
Private	32.8	11.4	39.7	51.9	65.3
Consumer	32.4	11.9	39.6	51.2	64.8
Out-of-pocket[1]	25.2	3.1	26.1	50.1	59.9
Insurance	7.2	7.9	13.5	1.1	4.9
Other private	0.4	0.4	.0	0.7	0.5
Government	67.2	88.6	60.3	48.1	34.7
Medicare	48.8	74.8	57.8	2.1	19.9
Medicaid	12.8	4.8	1.9	1.5	11.4
Other government	5.6	9.1	0.7	4.4	3.4

[30] Waldo and Levit, National Health Expenditures, 1985, Health Care Financing Review, Fall 1986, vol. 8, No. 1.
[31] Waldo and Lazenby, 1984.

TABLE 4–10B.—DISTRIBUTION OF PER CAPITA PERSONAL HEALTH CARE EXPENDITURES FOR PEOPLE 65 YEARS OF AGE AND OVER, BY TYPE OF SERVICE AND SOURCE OF FUNDS: UNITED STATES, 1984

Year and source of funds	Total per capita	Type of service				
		Total	Hospital	Physician	Nursing home	Other care
1984:						
Total per capita	$4,202	100.0	45.2	20.7	20.9	13.2
Private	1,379	100.0	15.7	25.0	33.1	26.2
Consumer	1,363	100.0	15.3	25.3	33.1	26.3
Out-of-pocket[1]	1,059	100.0	5.6	21.4	41.6	31.3
Insurance	304	100.0	49.2	38.6	3.3	8.9
Other private	16	100.0	42.1	1.9	39.1	17.0
Government	2,823	100.0	59.7	18.6	15.0	6.8
Medicare	2,051	100.0	69.2	24.5	0.9	5.4
Medicaid	536	100.0	17.0	3.1	68.1	11.8
Other government	236	100.0	73.2	2.4	16.5	7.9

TABLE 4–10C.—PERSONAL HEALTH CARE EXPENDITURES IN MILLIONS FOR PEOPLE 65 YEARS OF AGE OR OVER, BY SOURCE OF FUNDS AND TYPE OF SERVICE: UNITED STATES, 1984

Year and source of funds	Type of service				
	Total care	Hospital	Physician	Nursing home	Other care
1984:					
Total	$119,872	$54,200	$24,770	$25,105	$15,798
Private	39,341	6,160	9,827	13,038	10,316
Consumer	38,875	5,964	9,818	12,856	10,237
Out-of-pocket[1]	30,198	1,694	6,468	12,569	9,467
Insurance	8,677	4,270	3,350	287	770
Other private	466	196	9	182	79
Government	80,531	48,040	14,943	12,067	5,482
Medicare	58,519	40,542	14,314	539	3,142
Medicaid	15,288	2,595	467	10,418	1,808
Other government	6,724	4,920	162	1,110	532
Exhibit: Population (in millions)	28.5				

TABLE 4–10D.—PERSONAL HEALTH CARE EXPENDITURES PER CAPITA FOR PEOPLE 65 YEARS OF AGE OR OVER, BY SOURCE OF FUNDS AND TYPE OF SERVICE: UNITED STATES, 1984

Year and source of funds	Type of service				
	Total care	Hospital	Physician	Nursing home	Other care
1984:					
Total	$4,202	$1,900	$868	$880	$554
Private	1,379	216	344	457	362
Consumer	1,363	209	344	451	359
Out-of-pocket[1]	1,059	59	227	441	332
Insurance	304	150	117	10	27
Other private	16	7	1	6	3
Government	2,823	1,684	524	423	192
Medicare	2,051	1,420	502	19	110
Medicaid	536	91	16	365	63
Other government	236	172	6	39	19

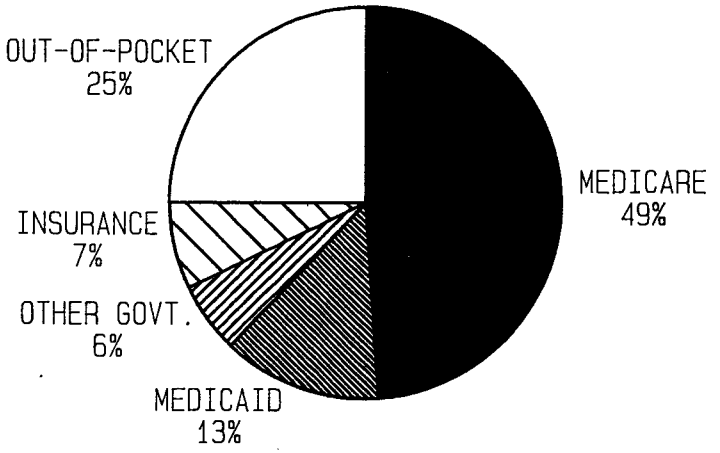
[1] Out-of-pocket funds exclude premium payments for Part B, Medicare and private health insurance.

Source: Waldo, Daniel R., and Lazenby, Helen C.; Demographic Characteristics and Health Care Use and Expenditures by the Aged in the United States: 1977–1984; "Health Care Financing Review," vol. 6, No. 1, fall, 1984.

Private sources such as employer-paid insurance are the major source of health care payments for persons under age 65. However, public funds are the major source for 65-plus persons (chart 4-9).

CHART 4-9

PERSONAL HEALTH CARE EXPENDITURE FOR THE ELDERLY BY SOURCE OF PAYMENT: 1984



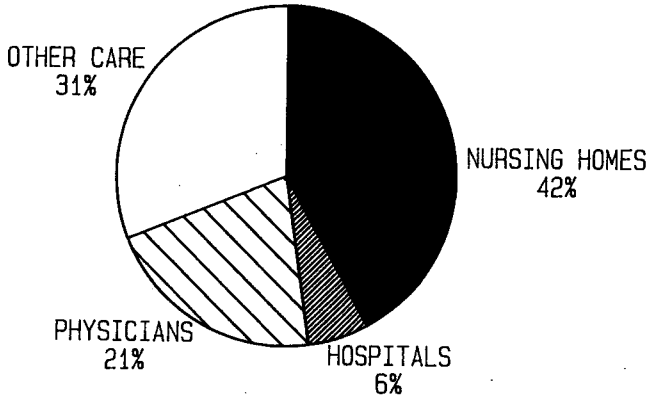
SOURCE: Health Care Financing Administration, Office of Financial and Actuarial Analysis

Out-of-Pocket Costs

Even with the substantial contribution of public funds, the elderly bear considerable financial burden for health care out of their own pockets. Direct out-of-pocket health costs for the elderly averaged 15 percent of their income in 1984—the same as before Medicare and Medicaid were enacted. Direct out-of-pocket health care expenses for the elderly averaged $1,059 per person in 1984. The majority of these expenses are for nursing home care, physician visits and services, and health aids not covered by Medicare, Medicaid, or private insurance (chart 4-10).

CHART 4-10

WHERE THE OUT OF POCKET DOLLAR FOR THE ELDERLY GOES: 1984

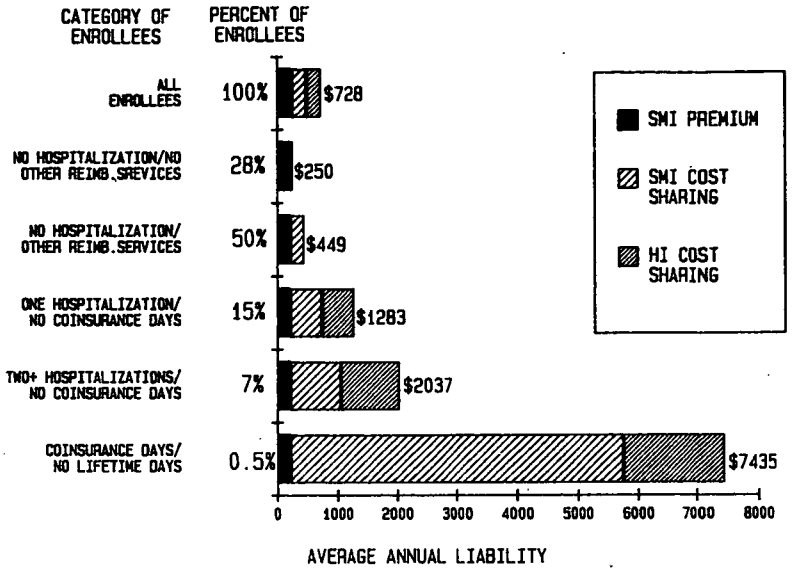


SOURCE: Health Care Financing Administration, Office of Financial and Actuarial Analysis

A recent report provided by the Congressional Budget Office described the average liability of the Medicare population for 1987. For those who required two or more hospitalizations (7 percent of enrollees), out-of-pocket payments through Medicare copayments and deductibles total $2,037. Enrollees will pay on average $728 to participate in the Medicare Program in 1987 (chart 4-11).

CHART 4-11

AVERAGE LIABILITIES OF MEDICARE ENROLLEES FOR PREMIUMS AND COST SHARING: 1987



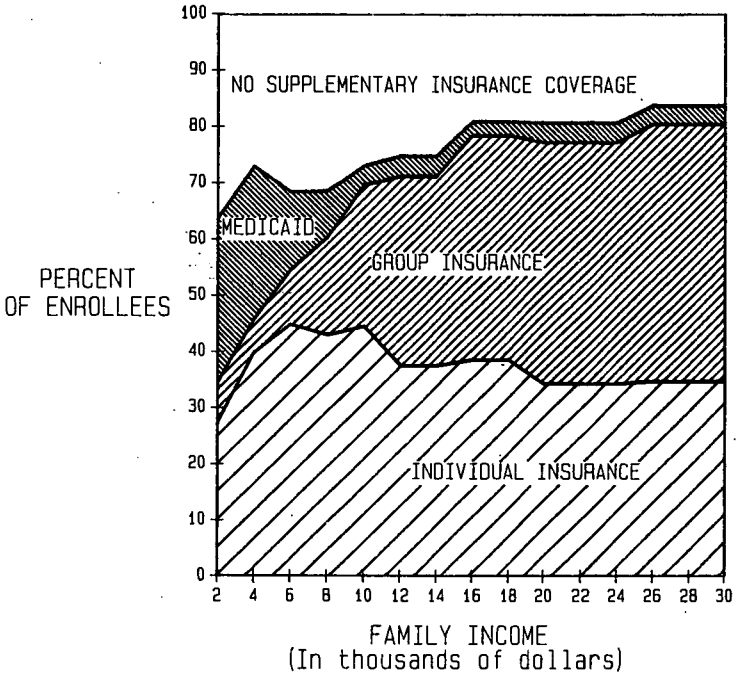
SOURCE: Congressional Budget Office estimates based on the 1981 Medicare History File.

There are two major protections from the high out-of-pocket costs of medical care, Medigap insurance and Medicaid. Combined Medigap and Medicaid protected 20 million or 80 percent of the noninstitutionalized elderly from potential risks of catastrophic illness. Chart 4-12 shows, 18 million—or 72 percent—of the elderly were covered by some form of private supplementary insurance. The likelihood of an older person having private insurance rises with family income. While 44 percent of those with incomes under $5,000 were covered, 87 percent of those with incomes greater than $25,000 had private supplemental insurance. Annual Medigap premiums averaged roughly $300 to $400 per person in 1984.[32]

[32] Congressional Budget Office, testimony before the Committee on Energy and Commerce, U.S. House of Representatives, March 1986.

CHART 4-12

SUPPLEMENTARY INSURANCE COVERAGE BY ELDERLY MEDICARE ENROLLEES: 1984



SOURCE: Congressional Budget Office tabulations of Survey of Income and Program Participation (SIPP).

NOTE: People covered under both a group and an individual plan are likely to have been classified above as covered by group insurance.

(NOTE.—Unless otherwise noted, data for health care expenditures for the elderly in this section are from: Waldo, Daniel and Lazenby, Helen; Demographic characteristics and health care use and expenditures by the aged in the United States: 1977-84, Health Care Financing review; Fall, 1984; Volume 6, No. 1.)

MEDICARE

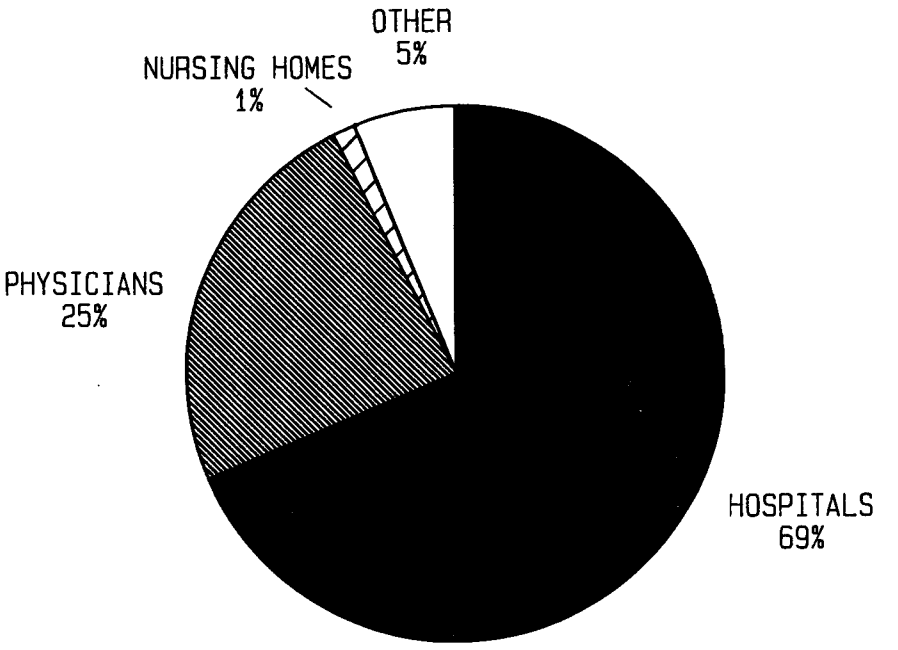
In 1985, Medicare covered 45 percent of all personal health care expenditures for the elderly.[33] Medicare's role primarily involves financing acute care services. Costs for hospitals, which account for over 69 percent of all the dollars Medicare spends for health care, are fueling Medicare's growth (chart 4-13). Seventy-three percent of the cost of hospital services and 44 percent of the cost of physicians' services were paid by the program in 1984. Medicare spending for home health care has grown dramatically since 1968; from

[33] Congressional Budget Office, testimony before the Committee on Energy and Commerce, U.S. House of Representatives, March 1986.

$60 million in fiscal year 1968 to $2.3 billion in 1985 (3.3 percent of benefit payments).

CHART 4-13

WHERE THE MEDICARE DOLLAR GOES: 1985



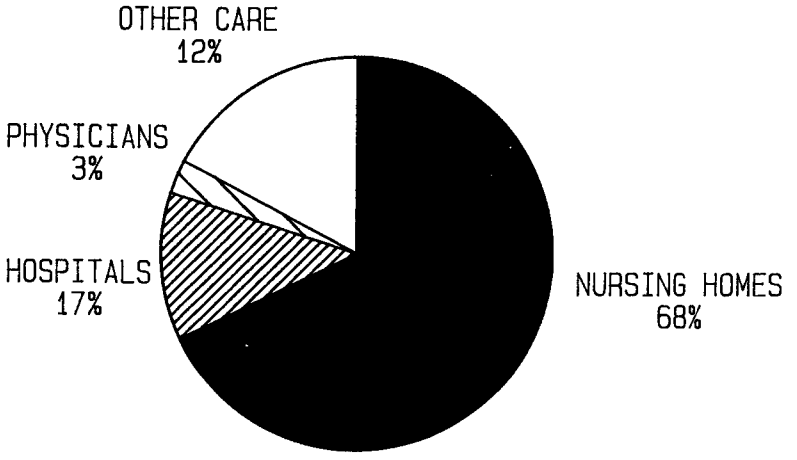
SOURCE: Health Care Financing Administration, Office of Financial and Actuarial Analysis

MEDICAID

Medicaid pays about 13 percent of personal health care expenditures for the elderly, the great majority of which is for that small portion of the population using long-term care (chart 4-14). Medicaid is the principal source of public financing for nursing home care, paying for 41 percent of the total costs. The gap between funding by Medicare, Medicaid, and out-of-pocket costs for health care for the elderly is covered by private insurance, foundations, and other Government sources such as the Veterans' Administration, Department of Defense, Indian Health Service, States, and counties.

CHART 4-14

WHERE THE MEDICAID DOLLAR FOR THE ELDERLY GOES: 1984



SOURCE: Health Care Financing Administration, Office of Financial and Actuarial Analysis

Chapter 5

SOCIAL CHARACTERISTICS

Marital status and living arrangements of older persons vary tremendously by sex. Most men, for instance, spend their elderly years married and in family settings, whereas most older women spend their later years as widows outside of family settings.

The housing situation of older persons also varies significantly—with large differences by marital status and living arrangements. A surprising proportion of older persons bear the burden of high household expenses in relation to income. Inadequate housing and the lack of telephones are also problems for a small but significant number of older persons.

The following section describes these and other social characteristics of the older population, such as educational level and voter participation.

A. MARITAL STATUS AND LIVING ARRANGEMENTS

Unlike Elderly Men, Most Elderly Women Are Widowed and Live Alone

Over two-thirds (67 percent) of older, noninstitutionalized persons lived in a family setting in 1985. However, patterns of living arrangements and marital status differ sharply between elderly men and women, and the disparity increases for the oldest groups. For instance, in 1985, over three-quarters of the men but less than half of the women age 75 and older lived in a family setting (table 5–1).

TABLE 5–1.—LIVING ARRANGEMENTS OF OLDER MALES AND FEMALES, 1985

	Age 55 to 64		Age 65 to 74		Age 75 and older	
	Males	Females	Males	Females	Males	Females
Number (in thousands)	10,377	11,774	7,259	9,317	3,755	6,487
Percent in category:						
Living with spouse	81	67	79	49	68	23
With other relatives only	6	13	6	14	10	25
With nonrelatives only	3	2	3	2	3	3
Living alone	9	18	12	35	20	50

Source: U.S. Bureau of the Census, "Marital Status and Living Arrangements: 1985," Current Population Reports, P–20, No. 410, table 6, November 1986.

Elderly women are more likely to be widowed than married (chart 5–1), and a substantial proportion live alone (table 5–1). The male/female disparity is more marked at older ages; in 1985, 68 percent of women 75 and older were widowed compared to 23 percent of men in this age group. And 67 percent of men 75 and older

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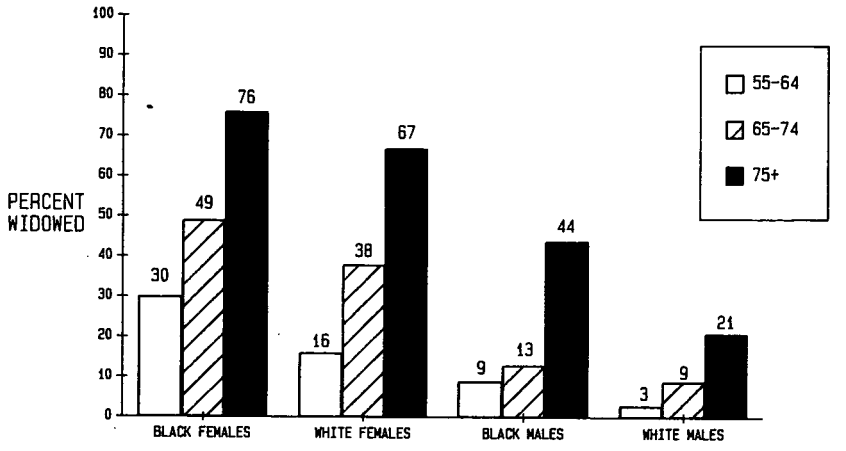
lived with their wives while only 23 percent of 75-plus women lived with husbands (table 5-1). These differences are caused by the combined effects of the higher age-specific death rates for adult men and the tendency for men to marry younger women.[1]

CHART 5-1

WIDOWHOOD OF PERSONS 55 AND OVER BY RACE AND SEX
MARCH, 1985



SOURCE: U.S. Bureau of the Census, Current Population Survey, Series P-20, No. 389

Elderly widowed men have remarriage rates about seven times higher than those of women. The "average" widow who has not remarried is 65 years old, has been widowed for 6 years, and can expect to live an additional 19 years as a widow.[2]

TABLE 5-2.—MARITAL STATUS OF OLDER MALES AND FEMALES, 1985

	Age 55 to 64		Age 65 to 74		Age 75 plus	
	Males	Females	Males	Females	Males	Females
Percent in category:						
Single	6	4	5	4	5	6
Married-spouse present	81	67	79	49	67	23
Married-spouse absent	3	3	2	2	2	1
Widowed	4	17	9	39	23	68
Divorced	6	9	4	6	3	2

Source: U.S. Bureau of the Census, "Households, Families, Marital Status, and Living Arrangements: March 1985" Current Population Reports, P-20, No. 402.

Elderly white males have the highest probability of being married, elderly black females the least. Black females are most likely

[1] Siegel, Jacob, Demographic Aspects of Aging and the Older Population in the United States. Series P-23, No. 59, 1982.
[2] U.S. Senate Special Committee on Aging, 1984.

to be widowed, white males the least. In addition, black persons are much more likely to be either single, separated, or divorced than are white persons.

Relatively small numbers of elderly live in intergenerational households with children or with other relatives, although this percentage does increase with advancing age, particularly for older women.

B. EDUCATION

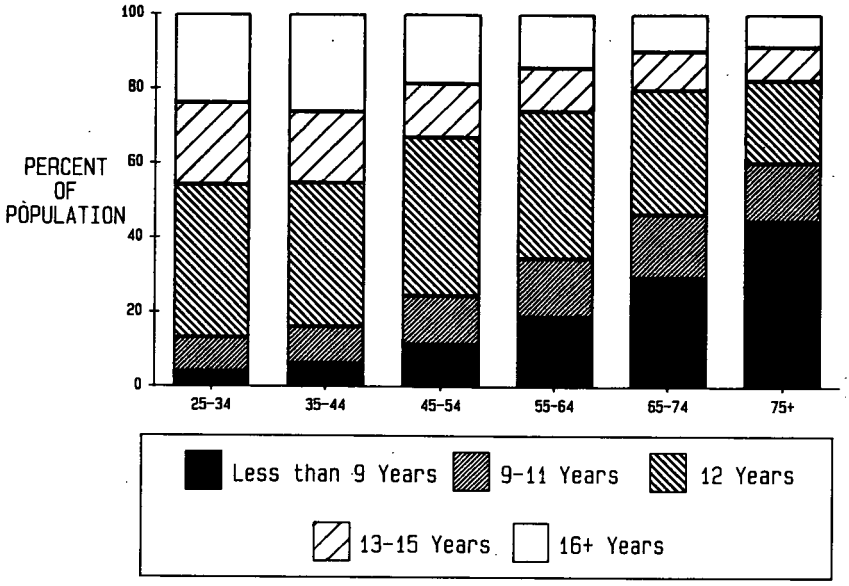
The Education Gap Between Older and Younger Persons Is Closing

Although educational attainment of the elderly population is well below that of the younger population, the gap in median school years completed has narrowed somewhat over the last 30 years and is expected to decrease further by the end of this decade. Between 1970 and 1986, the median level of education among the elderly has increased from 8.7 years to 11.8 years (11.7 years for males and 11.9 years for females). By 1990, the median number of school years completed for persons 65 and over is expected to be 11.9 years as compared to 12.6 years for all persons 25 years and over.[3]

[3] National Council on Aging, Education for Older Adults; A Synthesis of Significant Data, 1982.

CHART 5-2

EDUCATIONAL ATTAINMENT BY AGE
1986



SOURCE: U.S. Bureau of the Census, Current Population Survey, 1986, Unpublished data

In 1986, the elderly were about 65 percent as likely to have graduated from high school (including those who graduated from college) as the entire population 25 years and over. Nearly 50 percent of the elderly population were high school graduates as compared with nearly 75 percent of the population 25 years and older.

There are significant differences in educational attainment for elderly whites and blacks. About a fourth of whites between the ages of 60 and 74 and just over four-tenths of those age 75 and over never attended high school. For blacks, 50 percent of those between the ages of 60 and 74 and 72 percent of those age 75 and over never attended high school. About 33 percent of older white Americans and 57 percent of older black Americans never went beyond the eighth grade. While 52 percent of elderly whites completed high school, only 22 percent of elderly blacks reached that level. In terms of higher education, about 10 percent of elderly whites attended 4 or more years of college, as compared with about 5 percent of elderly blacks.

The gap in educational attainment for older groups is expected to continue to narrow partly because of the educational opportunities available after World War II and partly because of our history of immigration. Today's elderly population has a much higher proportion of persons who are foreign-born than does the younger population. The elderly foreign-born have a higher rate of illiteracy and lower educational attainment than the native population.

C. HOUSING

Housing, While an Asset for Most Older Persons, Is a Liability for Others

Housing, while an asset for most older people, represents a serious burden for others. For older homeowners who do not have to budget for a mortgage or rental payments, or who can sell their homes at a profit, housing can be an asset. However, to many elderly persons who own older homes, the cost of utilities, real estate taxes, insurance, repair and maintenance can be prohibitive. And, for renters or owners with a mortgage, monthly payments can be a substantial burden.

(Note.—Unless otherwise noted, data on housing in this section is from 1980 census public use tapes and prepared by Jeanne Griffith of the Congressional Research Service.)

TABLE 5-3.—HOUSING COSTS AS A PERCENTAGE OF HOUSEHOLD INCOME, BY AGE AND SEX OF HOUSEHOLDER

	Median percentage by age							
	25 to 64	55 to 59	60 to 64	65 to 69	70 to 74	75 to 79	80 to 84	85-plus
Male:								
Rent	18.4	16.2	17.8	21.7	23.5	24.6	25.5	25.8
Own, with mortgage	18.1	13.9	15.6	20.5	24.0	27.6	30.5	33.4
Own, without mortgage	7.2	7.0	8.1	10.9	12.5	13.5	14.6	15.6
Female:								
Rent	27.2	25.9	27.2	29.8	30.8	31.4	31.7	31.8
Own, with mortgage	24.7	22.8	26.1	33.1	36.5	37.4	38.4	39.3
Own, without mortgage	13.1	12.8	14.6	17.5	19.1	20.5	21.4	22.3

Source: U.S. Bureau of the Census, 1980 Census of Population and Housing, Public Use Microdata Sample, special tabulations.

Housing costs vary dramatically depending on homeownship status. For males aged 65 to 69, housing costs are 22 percent of income for renters and 21 percent for owners with a mortgage, but only 11 percent for owners without a mortgage. (Housing costs include gross rent or mortgage, real estate taxes and insurance for owners, and basic utility costs for all owners and for renters if such fees are not included in rent.)

This trend becomes stronger with increasing age. For 85-plus males, housing expenses for renters and owners with a mortgage equal 26 and 33 percent of income respectively, as compared to 15 percent for owners without a mortgage. These comparisons are similar for elderly females.

Housing Rental and Ownership Varies by Age, Sex, and Living Arrangements

Of the 17.7 million households headed by older persons in 1983, 75 percent were owner-occupied and 25 percent were rental units. The 1980 census found that 80 percent of owner-occupied elderly houses were owned free and clear. However, data from the 1980 census indicate, among the elderly, the older householders are more likely to rent rather than own, males are more likely than

females to own homes, and persons living alone are more likely to rent than are people who live with spouses.

According to results of the 1980 Annual Housing Survey, over a third (38 percent) of elderly owner-occupied households were inhabited by older men or women living alone or with nonrelatives.[4] Only 33 percent of renter-occupied units were maintained by elderly persons in families; the other 66 percent were maintained mostly by elderly men or women living alone. Data from the 1980 census demonstrate that this pattern is affected by the martial status, sex, and living arrangements of the homeowner. At ages 65 to 69, for instance, 44 percent of men living alone own their homes, compared to 82 percent of men living with their wives. With increasing age, married couples and single women are less likely to own their own housing. Men who live alone, however, are slightly more likely to own their own homes if they are in the oldest age brackets than those newly retired.

The Elderly Are Most Likely To Live in Older Homes

Persons 65 years or older are most likely to live in older homes whether they rent or own. In 1980, 40 percent of elderly homeowners lived in housing structures built in 1939 or earlier and another 14 percent live in structures built between 1940 and 1949. By contrast, 22 percent of younger homeowners lived in units built before 1939 and another 8 percent lived in units built between 1940 and 1949. Younger renters were similar to elderly renters: 40 percent of both age groups lived in structures built in 1939 or earlier and 8 to 10 percent rented units built between 1940 and 1949.

While age of housing is not necessarily an index of physical condition, it does bear a relationship to size, functional obsolescence, and ease of maintenance. Various housing studies reveal that many older persons live in homes that are too large for current family size and need. Many elderly with physical handicaps do not have the funds or the services avaliable to adapt older, larger homes to their physical needs.

Age of housing also determines net worth. The median value in 1981 of home built in 1939 or earlier was $39,900 as compared to $79,000 for those built after April 1972.[5]

A Significant Number of Elderly Persons Live in Inadequate Housing and Do Not Have Telephones

According to the 1980 Annual Housing Survey, 10 percent of units headed by persons 65 years or older lived in housing infested with mice and rats and 30 percent lived in housing with bedrooms which lacked privacy (25 percent of elderly owners and 62 percent of elderly renters). Smaller numbers of elderly persons lived in housing with flaws such as incomplete kitchen facilities (2 percent), open cracks or holes (4 percent), and complete plumbing facilities (3 percent).

Telephones are an important link for all persons, particularly for elderly persons who live alone. Data from the 1980 census shows

[4] U.S. Senate Special Committee on Aging, 1984.
[5] Ibid.

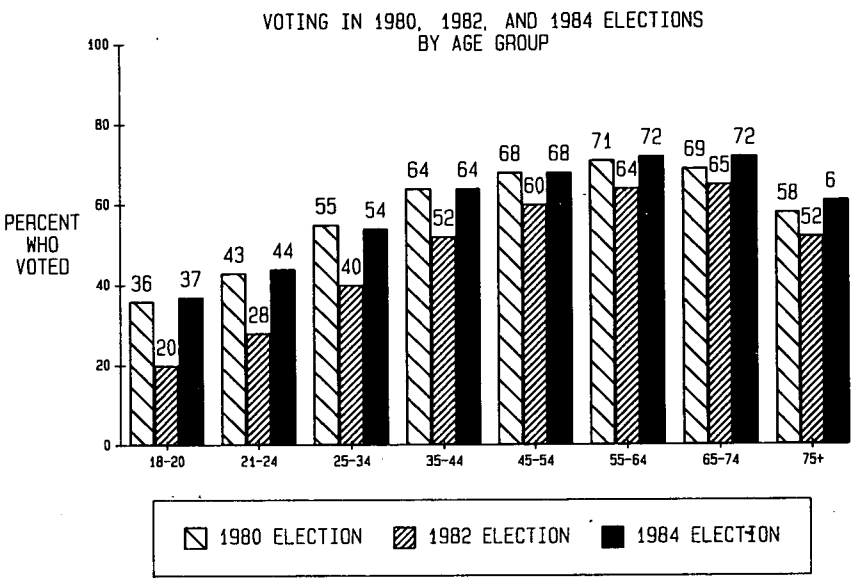
that elderly persons who rent are the most likely to be without a telephone. For instance, in 1980, nearly 15 percent of the 696,000 male renters and nearly 7 percent of the 1,155,000 female renters aged 65 to 69 were without telephones. Homeowners are much less likely to be without a telephone; less than 3 percent of both male and female homeowners age 65 to 69 are without a phone.

D. VOTING

The Elderly and Near-Elderly Are the Most Likely Age Groups To Vote

In 1986, over 28 million—or 16 percent—of the 178 million Americans of voting age were 65 and over. According to a survey by ABC News, 55 percent of persons 60 and over voted Democratic and 45 percent Republican in the midyear election for the House of Representatives, and 51 percent Democratic and 49 percent for the Senate. A New York Times/CBS News poll counted at 52/48 percent Democrat/Republican split for House seats.

CHART 5-3



Source: U.S. Bureau of the Census, Current Population Surveys, 1981, 1983, and 1985

In the 1984 Presidential election, voters 65 and over accounted for 18 percent of all voters. Nearly 68 percent of all elderly persons voted, compared to about 60 percent of eligible voters, a 3-percent increase over the 65 percent turnout for the 1980 Presidential election. According to a Los Angeles Times poll, 60 percent of persons 60 and over voted Republican and 40 percent voted Democratic in the Presidential election. The New York Times counted a 63/36 percent Republican/Democratic split.

According to census data on voter participation levels from 1964 to 1984, rates of voting increase steadily with age until age 65 (chart 5–3). In the November 1984 election, one-third (33.9 million) of those who reported voting were 55 years or older. Of all age groups, voters age 55 to 64 and 65 to 74 had the highest participation rates (72 percent). Voting participation for those 75 and over (61 percent) is slightly below that of the population aged 35 to 44 (64 percent in 1984).

The same relationships between older and younger voters held in the November 1982 midterm election, although in non-Presidential elections, levels of voting are lower for all age groups. In that election, persons 65 to 74 voted at about the same rate as persons 55 to 64 (65 and 64 percent, respectively). Fifty-two percent of persons 75 and over voted in 1982, slightly lower than in the 1980 general election but still comparable to the 25 and older populations as a whole. The typical decline in voting in midterm elections is more precipitous among young voters than among older voters. A higher proportion of 1982 voters than 1980 voters (37 percent versus 33 percent) were 55 years of age or older.

In both elections, among the elderly, white men were the most likely to vote, followed by white women, then black men and black women. Among the elderly who were registered to vote in 1980 but did not, 40 percent attributed the cause to illness. About 20 percent of all registered voters did not vote in 1980 because of lack of interest or lack of preference for either candidate, but the elderly mentioned these reasons only about half as often as other age groups. (This information is not available for elections after 1980.)

Chapter 6

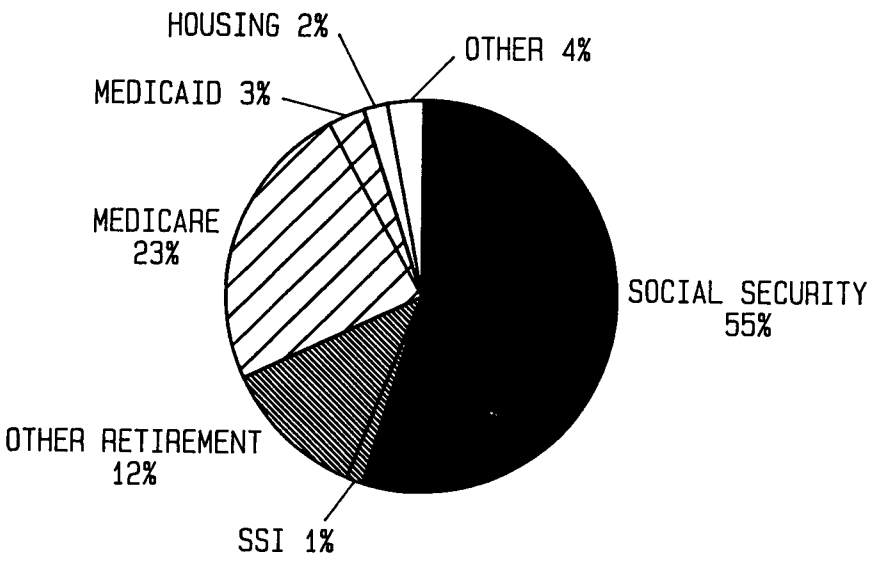
FEDERAL OUTLAYS BENEFITING THE ELDERLY

Since 1960, the share of the Federal budget spent on programs serving the elderly has nearly doubled. In 1960, less than 15 percent of the Federal budget was spent on the elderly. In fiscal year 1986, programs benefiting the elderly accounted for 26 percent of the Federal budget, down from 28 percent in fiscal year 1984.

The long-term increase in share of the budget spent on the elderly has occurred primarily because of legislated improvements in income protection, health insurance, and services which were enacted in the late 1960's and early 1970's in an effort to reduce high levels of poverty among the elderly. At the same time, the focus of spending on aging programs has shifted. Retirement income has declined as a percent of Federal spending. Today, two-thirds of the budget for the elderly is spent on retirement income as compared to 90 percent in 1960. Health care spending, in contrast, has become an increasingly significant element of Federal spending. Spending on health programs for the elderly has increased from 6 percent in 1960 to an estimated 29 percent of Federal outlays for the elderly in 1986 (chart 6-1 and table 6-1).

CHART 6-1

FEDERAL OUTLAYS BENEFITING THE ELDERLY
FISCAL YEAR 1986



SOURCE: Executive Office of the President, Office of Management and Budget

TABLE 6-1.—FEDERAL OUTLAYS BENEFITING THE ELDERLY [1]

[Dollars in millions]

	Fiscal year—		
	1984 actual	1985 actual	1986 estimate
Medicare	53,307	60,907	64,417
Medicaid	7,435	8,057	8,878
Other Federal health	4,138	4,573	4,662
Health subtotal	64,880	73,537	77,957
Social Security	129,284	137,852	146,235
Supplemental security income (SSI) [2]	3,547	3,649	3,719
Veterans compensation-pensions	5,031	5,745	6,113
Other retired, disabled, and survivors benefits	23,689	24,634	25,863
Retirement/disability subtotal	161,551	171,880	181,930
National Institute on Aging	100	126	132
Older American volunteer programs	92	102	106
Senior community service employment	321	320	323
Administration on Aging	824	825	836
Subsidized housing [3 4]	4,338	9,166	4,870
Section 202 elderly housing loans [5]	595	501	490
Farmers Home Administration Housing	40	55	84
Food Stamps [6]	610	615	612

TABLE 6-1.—FEDERAL OUTLAYS BENEFITING THE ELDERLY [1]—Continued

[Dollars in millions]

	Fiscal year—		
	1984 actual	1985 actual	1986 estimate
Social services (title XX)	366	369	369
Low income home energy assistance [7]	608	642	606
Other miscellaneous [8]	1,490	1,185	1,193
Other subtotal	9,385	13,906	9,622
Total elderly outlays	235,815	259,322	269,505
Percentage of total Federal outlays [9]	28	27	26

[1] Much of the data used to compile this table are based on unsubstantiated estimates and preliminary program and demographic information. Most estimates are for recipients aged 65 and over, include the effects of proposed legislation such as COLA freeze, and include rough estimates of the effect of Gramm-Rudman-Hollings on fiscal year 1986 outlays. Some Federal programs (e.g., consumer activities, USDA extension services, national park services) have been excluded due to lack of data.
[2] Fiscal year 1984 outlays reflect an 11-month benefit period.
[3] HUD defines "elderly" beneficiaries as households with head of household 62 and over.
[4] Financing changed from loan guarantees to direct loans results in one time fiscal year 1985 outlay increase in Public Housing.
[5] Reflects net disbursements for new direct loans.
[6] Includes nutrition assistance to Puerto Rico.
[7] Based on 30 percent of total program obligations.
[8] Drop in unemployment rates and associated reduction in outlays causes the decrease between fiscal years 1983–85.
[9] Total Federal outlays includes items categorized as off-budget before fiscal year 1985.

Source: Office of Management and Budget, February 1986.

Only excessive increases in the cost of health care threaten to further expand Federal spending on the elderly. Forecasts of the costs of pension and health care programs over the next 50 years indicate that the share of the budget devoted to pension spending will decline somewhat and remain below current levels in the future. On the other hand, without some change in the method of financing, the share of the budget devoted to health care spending will continue to rise and may eventually surpass the cost of pensions.

A. FEDERAL SPENDING FOR THE ELDERLY

Most Federal Spending for the Elderly is for Social Security and Medicare

In fiscal year 1986, an estimated $269.5 billion of Federal spending was of direct benefit to older Americans. Of every dollar spent on the elderly through the Federal budget in that year, 54 percent went to Social Security and 27 percent went to Medicare and Medicaid.

Social Security and all but a portion of Medicare are financed through dedicated taxes collected expressly and exclusively for the purposes of paying retirement and health benefits. In the last two decades alone, increases in social insurance benefits have helped to cut the poverty rate among the elderly in half—from 28.5 percent in 1966 to 12.6 percent in 1985. Today, social insurance benefits are credited with preventing 86 percent of the poverty that would exist if Social Security were not available, according to estimates of the Office of Management and Budget.[1] Without transfer payments, OMB says, 55 percent of the elderly would be poor today.

[1] U.S. Congress. House. Committee on Ways and Means. Subcommittee on Oversight. Testimony of Hon. David A. Stockman. Director, Office of Management and Budget. Hearing. 98th Congress, 1st Sess. Nov. 3, 1983, Washington, U.S. Gov't. Print Off., 1983.

The Federal Government also provides pensions and compensation in exchange for services provided to the Government. It provides disability compensation and pension benefits to veterans of military service and to its own former employees and their survivors 65 years or over. About 12 cents of every Federal dollar spent on the elderly in fiscal year 1986 went to support these programs.

A third area of Federal involvement with the elderly is in providing means-tested benefits to elderly poor who are unable, despite the existence of a universal social insurance system, to meet basic subsistence needs. About 4 cents of every dollar spent on the elderly in fiscal year 1986 is expected to be used to provide Supplemental Security Income (SSI) benefits, housing, food stamps, energy assistance, and social services to low-income individuals.

The fourth area of Federal spending on the elderly includes programs of general benefit to the elderly such as social, nutrition, and employment services provided through the Older Americans Act, research conducted through the National Institute on Aging, and volunteer services through ACTION agency. Less than 1 percent of the elderly's share of the Federal budget is spent on these programs.

B. COSTS TO INDIVIDUALS AND FAMILIES

Increased Federal Spending for Health Care Has Not Reduced Health Costs to Older Americans

While the enactment of Medicare triggered the most rapid growth in Federal spending for the elderly, it has not effectively reduced the burden of health care costs for the elderly and their families. From a program spending $7 billion in 1970, Medicare has grown to a program with $70.2 billion in Federal outlays in 1986. Over the last 12 years, Medicare outlays have increased at an average rate of 18 percent, more than twice the rate of inflation and one-third faster than the growth in national personal health care expenditures. Even with savings measures enacted in the 1980's, it is still projected to grow at least twice the rate of inflation through the end of the decade.

Despite this growth in annual spending, Medicare payments increasingly fail to keep pace with rising health costs. Health care expenditures not paid by Medicare have been rising steadily as a percent of elderly income. By 1984, health spending not paid by Medicare equaled 15 percent of the average per capita income of a person 65 years or older. The elderly pay one-fourth of their total health care bills out-of-pocket.

Medicaid was enacted to provide matching funds to the States to finance health insurance for the poor, including supplemental insurance for the elderly poor covered under Medicaid. Medicaid has also grown rapidly with Federal and State outlays rising from $4.9 billion in 1970 to $37.5 billion in 1985. Federal Medicaid payments going to the elderly amounted to $14.1 billion in 1986, more than three and a half times the amount spent on the elderly only a decade earlier. The portion of total Medicaid spending attributed to the elderly has remained about the same over the last decade, 37 percent in 1974 to 38 percent in 1986.

C. LONG-TERM FINANCING

THE LONG-TERM GROWTH IN FEDERAL SPENDING WILL BE FOCUSED ON HEALTH CARE COSTS

Today, rising health care costs rather than spending for retirement income, are the greatest source of the increase in public spending on the elderly (table 6-2).

Social Security retirement and disability benefits, which grew from 2.5 percent of GNP in 1965 to 5.2 percent in 1983, are projected to decline to 4.2 percent by 2005, and then increase slightly to 5.7 percent by 2030.[2] Other pension benefits paid from the Federal budget are expected to decline from 2 percent of GNP currently to about 1.2 percent of GNP by 2030.[2]

TABLE 6-2.—FEDERAL PENSION AND HEALTH PROGRAMS AS A PERCENTAGE OF GNP AND THE BUDGET: 1965 to 2040

	Pension programs as a percent of GNP [1]	Health programs as a percent of GNP [1]	Total as a percent of GNP [1]	Total as a percent of budget [2]
1965	4.1	0.3	4.4	24.9
1970	4.7	1.4	6.1	30.0
1975	6.4	2.0	8.4	37.1
1980	6.5	2.3	8.8	38.2
1982	7.1	2.7	9.7	39.6
1984	7.0	2.8	9.8	39.7
1986	6.6	3.0	9.6	39.4
1988	6.4	3.2	9.6	39.4
1990	[3] 6.6	[3] 3.1	9.7	40.4
1995	6.2	3.7	9.9	41.3
2000	5.8	4.0	9.8	40.8
2005	5.6	4.4	10.0	41.7
2010	6.0	4.7	10.7	44.6
2015	6.0	5.0	11.0	45.8
2020	6.5	5.4	11.9	49.6
2025	7.0	5.9	12.9	53.9
2030	7.1	6.4	13.5	56.3
2035	7.1	7.0	14.1	58.8
2040	7.0	7.5	14.5	60.4

[1] Estimates for 1984 to 1988 are based on CBO baseline assumptions (August 1983); forecasts for 1990 and beyond are based on intermediate assumptions of the Social Security and Medicare actuaries.

[2] Forecasts for 1990 and beyond are based on the assumption that the Budget accounts for 24 percent of GNP.

[3] The discontinuity in the estimates of pension and health benefits as a percent of GNP between 1986 and 1990 is due to the Social Security trustees assuming that OASDI will grow at a faster rate than CBO in the late 1980's and the Health Insurance trustees assuming that Medicare will grow at a slower rate than CBO assumes.

Source: John L. Palmer and Barbara B. Torrey, "Health Care Financing and Pension Programs," prepared for the Urban Institute Conference on "Federal Budget Policy in the 1980s," Sept. 29 and 30, 1983.

On the other hand, health care costs will continue to grow steadily; in 1970, Medicare and other Federal health programs accounted for only 1.6 percent of GNP, but by 1986 Federal health spending had risen to 2.9 percent of GNP. With no change in current law, Federal expenditures on health are projected to increase to more than 6 percent of GNP by 2030. In short, if health care costs are not brought under control, Federal spending on health care will equal, or even surpass, Federal spending on retirement income within the next 50 years.

[2] Palmer, John L. and Torrey, Barbara B. Health Care Financing and Pension Programs, Sept. 29 and 30, 1983.

Overall, the share of the Federal budget going to the elderly is expected to remain fairly stable for the next two decades, as declines in the share for retirement income spending offset increases in health spending. Only then should overall spending on the elderly rise as a proportion of the budget, and then only if health costs have been allowed to rise unchecked in the interim.

Chapter 7

INTERNATIONAL COMPARISONS

The phenomenon of an aging society is not unique to the United States. With worldwide advances in medical care and population control, many nations around the world face the prospect of an increasingly older population. This worldwide aging trend raises concerns about the ability of the world as a whole to provide for the health and income needs of a population that lives longer in retirement.

Often in the debate over the future of aging policy in this country, public officials lose sight of the similarities between our problems and those faced by our neighbors around the world. Yet in many ways, the changes that will occur in this country are mild by comparison to those that must occur in developing nations and even in other developed countries. This chapter presents some of the scant international data on aging trends to provide a basis for placing our experience in the United States in the context of the worldwide aging trend. The countries selected for comparison are a cross-section of European and non-European developed countries and developing countries from various continents.[1]

A. AGE DISTRIBUTION

The United States Has the Third Largest Elderly Population (Age 65 Plus) and the Largest "Old-Old" Population (Age 80 Plus) in the World

The 1985 U.S. population of 28.6 million persons age 65 and older is the third largest in the world after China and India. The 1985 U.S. population of 6.2 million persons 80 and older is the largest in the world, with 100,000 more people in this age group than China.

[1] Data for this chapter is from U.S. Bureau of the Census *An Aging World,* 1986, and was provided to the Committee in advance of publication by Barbara Boyle Torrey.

TABLE 7-1.—NATIONS RANKED BY SIZE OF ELDERLY POPULATION

Nation	1985 population (thousands)
Age 65 plus:	
China	56,078
India	32,698
United States	28,609
Soviet Union	25,974
Japan	12,125
West Germany	8,812
United Kingdom	8,466
Italy	7,443
France	6,748
Indonesia	5,901
Brazil	5,828
Age 80 plus:	
United States	6,198
China	6,091
Soviet Union	4,610
India	2,913
Japan	2,000
West Germany	1,951
France	1,741
United Kingdom	1,732
Italy	1,436

Source: U.S. Census Bureau. An Aging World, 1986.

Sweden Has the Oldest Population in the World. The Proportion of Elderly in the U.S. Population Is in the Middle Range of Developed Nations—Smaller Than European Countries but Greater Than Non-European Developed Countries

Sweden currently has the oldest population in the world with 16.9 percent over age 65. The elderly population in other Western European countries ranges between 12 and 15 percent of the total population. While only 12 percent of the U.S. population is 65 and older, this is a larger percentage than in both Canada and Japan.

TABLE 7–2.—ELDERLY POPULATION BY NATION, 1985–2025

Nation	Age 65 and older (estimated)					Age 80 and older (estimated)				
	1985		2025		Percent change 65 plus 1985 to 2025	1985		2025		Percent change 80 plus 1985 to 2025
	Number (thousands)	Percent of total	Number (thousands)	Percent of total		Number (thousands)	Percent of total	Number (thousands)	Percent of total	
United States	28,609	12.0	58,771	19.5	38.5	6,198	2.6	14,348	4.8	45.8
France	6,748	12.4	11,273	19.3	35.8	1,741	3.2	2,111	3.6	11.1
West Germany	8,812	14.5	12,017	22.5	35.6	1,951	3.2	2,855	5.3	39.6
Italy	7,443	13.0	11,221	19.6	33.7	1,436	2.5	2,485	4.3	41.9
Sweden	1,415	16.9	1,708	22.2	23.9	295	3.5	404	5.2	32.7
United Kingdom	8,466	15.1	10,437	18.7	19.3	1,732	3.1	2,211	4.0	22.5
Canada	2,651	10.4	6,240	18.8	44.7	513	2.0	1,235	3.7	45.9
Japan	12,125	10.0	26,842	20.3	50.7	2,000	1.7	6,531	4.9	65.3
China	56,077	5.3	189,692	12.9	58.9	6,091	0.6	26,360	1.8	66.7
India	32,698	4.3	118,968	9.7	55.7	2,913	0.4	16,435	1.3	69.2
Mexico	2,797	3.5	11,849	7.7	54.5	459	0.6	1,894	1.2	50.0

Source: U.S. Bureau of the Census. An Aging World. 1986.

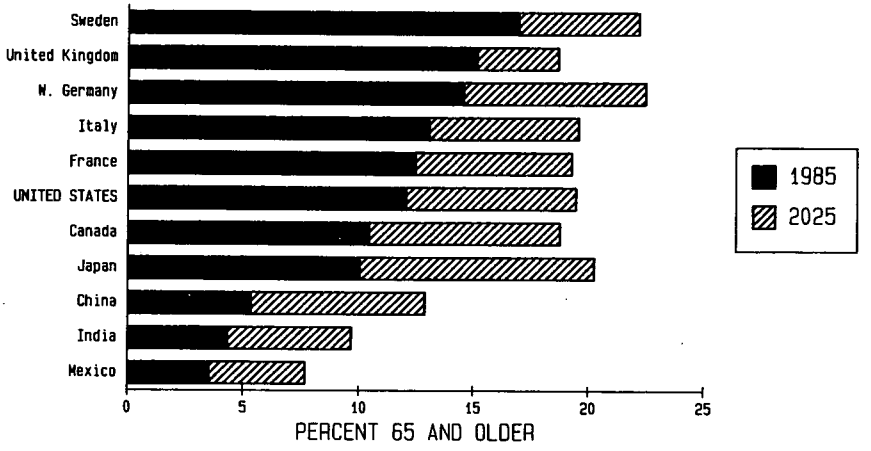
THE WORLD IS AGING. IN DEVELOPED NATIONS, THE PROPORTION OF THE POPULATION 65 AND OVER IS EXPECTED TO AS MUCH AS DOUBLE BY 2025

The elderly population will increase as a percentage of the total population throughout the world over the next 40 years. By 2025, in most developed countries, one in five persons will be age 65 and older. Japan and Canada will experience the greatest increase in the developed world of the percentage of the population that is elderly.

In the developing world, the concentration of elderly in the population will begin by 2025 to approximate today's concentration in the developed countries.

CHART 7-1

PROJECTED GROWTH IN PERCENT OF POPULATION
65 AND OLDER
1985-2025



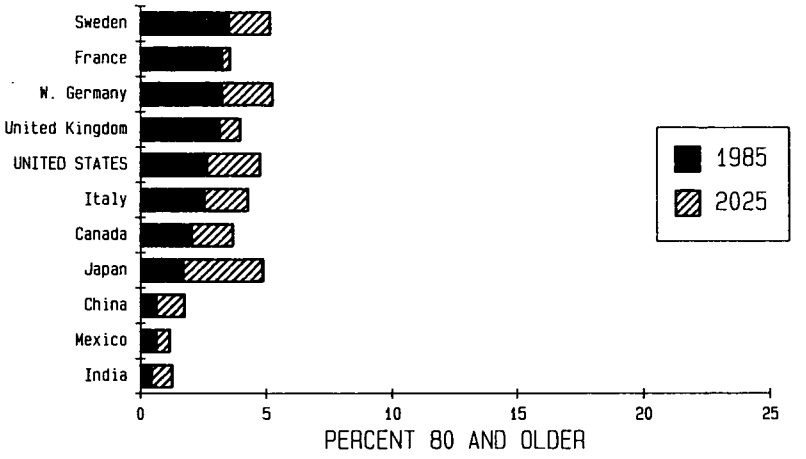
SOURCE: U.S. Bureau of the Census. An Aging World. Forthcoming, 1986.

Although the oldest-old are expected to grow as a proportion of the population over the next 40 years, they are now only 2 to 4 percent of the population in the developed world, and will grow by 2025 to only 3 to 5 percent in most developed countries. Of the developed nations, Japan will experience the greatest increase in the proportion of the population 80 and older—from 1.7 percent in 1985

to almost 5 percent in 2025. The United States and Canada will also have a substantial increase in the proportion in the oldest ages. In most of the developing world, the oldest-old will still account for less than 2 percent of the population by 2025.

CHART 7-2

PROJECTED GROWTH IN PERCENT OF POPULATION
80 AND OLDER
1985-2025



SOURCE: U.S. Bureau of the Census. An Aging World. Forthcoming, 1986.

THE U.S. GROWTH RATE IN THE 65 TO 74 AGE POPULATION WILL BE AMONG THE WORLD'S SLOWEST OVER THE NEXT 20 YEARS AND AMONG THE MOST RAPID IN THE DEVELOPED WORLD IN THE SUBSEQUENT 20 YEARS

Over the next 20 years (1985 to 2005) the United States will have an unusually slow growth rate in the young elderly population of 0.26 percent, largely as a result of low birth rates during the 1930's. With the exception of Sweden and the United Kingdom, much of the rest of the world will have a more rapid growth in the elderly population. Japan's rate of growth in the elderly population during this period will be the most rapid in the developed world, over 10 times that of the United States at 2.70 percent.

In the subsequent 20 years (2005 to 2025), the United States will experience a very rapid rate of growth in its young elderly population, as a result of the aging of America's "baby boom." Although Canada, Sweden, and the United Kingdom will experience a similar acceleration in the rate of growth of the elderly population, other developed countries will experience a slow-down in the rate of growth during this period. Japan will have a particularly sharp drop-off in the rate of growth in its young elderly population

during this period, but the oldest-old will continue to grow at a rapid rate.

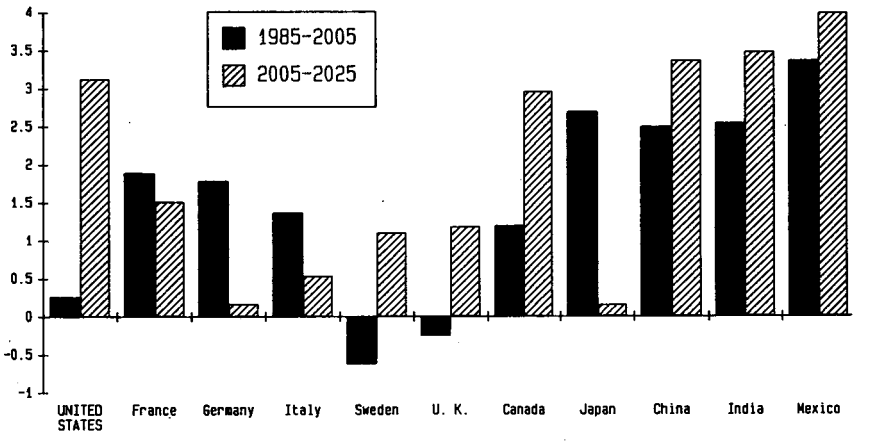
TABLE 7-3.—AVERAGE ANNUAL GROWTH RATES OF ELDERLY POPULATION BY AGE, 1985 TO 2025

Nation	1985 to 2005		2005 to 2025	
	65 to 74	75 plus	65 to 74	75 plus
United States	0.26	2.26	3.13	1.63
France	1.89	0.45	1.52	1.11
West Germany	1.79	0.18	0.17	0.86
Italy	1.37	1.56	0.54	0.68
Sweden	−0.62	0.41	1.11	1.09
United Kingdom	−0.25	0.25	1.19	0.95
Canada	1.20	2.18	2.97	2.28
Japan	2.70	2.94	0.16	2.50
China	2.50	3.36	3.38	3.21
India	2.55	2.68	3.49	4.81
Mexico	3.37	3.27	4.00	3.66

Source: U.S. Bureau of the Census. An Aging World. 1986.

CHART 7-3

AVERAGE ANNUAL GROWTH RATE
OF POPULATION AGED 65 TO 74
1985 TO 2025



SOURCE: U.S. Bureau of the Census. An Aging World. Forthcoming, 1986.

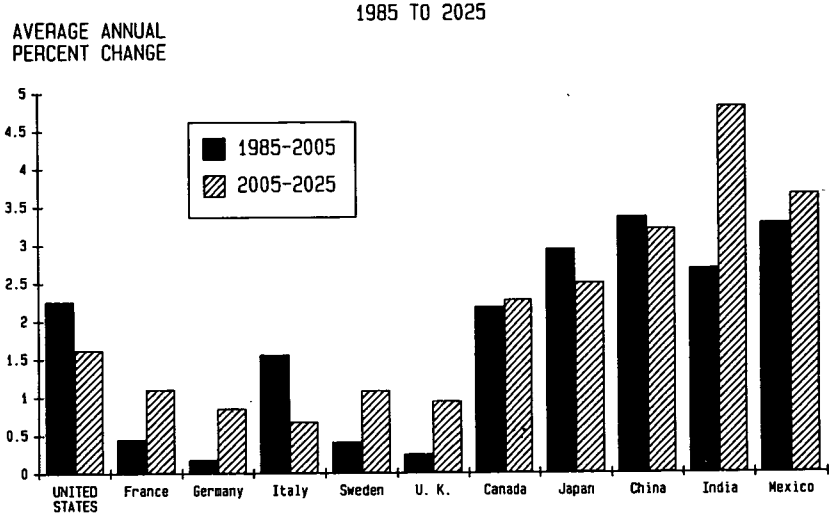
THE OLDEST-OLD ARE THE FASTEST GROWING SEGMENT OF THE ELDERLY POPULATION IN MANY COUNTRIES OVER THE NEXT 20 YEARS, THE U.S. GROWTH RATE IN 75 AND OVER POPULATION WILL BE AMONG THE MOST RAPID IN THE DEVELOPED WORLD

Over the next 40 years, the fastest growth rate in the oldest-old population in the developed world will occur in Japan. The United States and Canada will also experience a rapid growth in the 75

and over population during this period. On the other hand, Western Europe will experience a relatively slow growth rate in the oldest-old population.

CHART 7-4

AVERAGE ANNUAL GROWTH RATE
OF POPULATION AGED 75 AND OLDER
1985 TO 2025



SOURCE: U.S. Bureau of the Census. An Aging World. Forthcoming, 1986.

Life Expectancy at Birth in the United States Is About Average for the Developed World

The longest life expectancy at birth is in Japan—77.1 years in 1985. Life expectancy in the United States—74.6 years—is about average for the developed world—fully 2.5 years shorter than Japan. The difference in life expectancy between the United States and Japan has more to do with infant mortality than aging. Life expectancy at age 65 is only 6 months longer in Japan than it is in the United States.

In nearly all countries females live longer than males. The difference between male and female life expectancy in the United States is one the most extreme in the world—second only to France. In developing countries, the gap between male and female life expectancies typically is smaller than in the developed world. Variations in mortality rates between the sexes largely are explained by differences in rates of circulatory disease.

TABLE 7–4.—LIFE EXPECTANCY AT BIRTH

Nation	Years all sexes	Difference female-male
United States	74.6	7.5
France	74.8	8.0
West Germany	74.1	6.8
Italy	74.8	6.8
Sweden	76.5	6.2
United Kingdom	74.1	6.4
Canada	76.5	7.1
Japan	77.1	5.5
China	68.6	2.5
India	56.6	−0.2
Mexico	66.4	4.6

Source: U.S. Bureau of the Census. An Aging World. 1986.

THE TOTAL U.S. DEPENDENCY RATIO IN 1985 WAS ABOUT AVERAGE FOR THE DEVELOPED WORLD AND WAS LOWER THAN THE RATIO IN DEVELOPING COUNTRIES—BY 2025 THE TOTAL U.S. RATIO IS EXPECTED TO BE AMONG THE HIGHEST IN THE WORLD

The total dependency ratio is the ratio of children and aged to working-age adults. In 1985, developing countries had the highest total dependency ratios because of high proportions of children in their populations. India and Mexico, for example, had more than one "dependent" person in the population for each working-age adult. In the developed world, 1985 total dependency ratios were low because of low birth rates in recent years and, as yet, relatively small elderly populations.

By 2025, the developed nations will have higher total dependency ratios than developing countries, largely because of the rise in the proportion of elderly in their populations. The United States, along with Canada and Japan, will have the highest total dependency ratios.

TABLE 7–5.—DEPENDENCY RATIOS, 1985 AND 2025

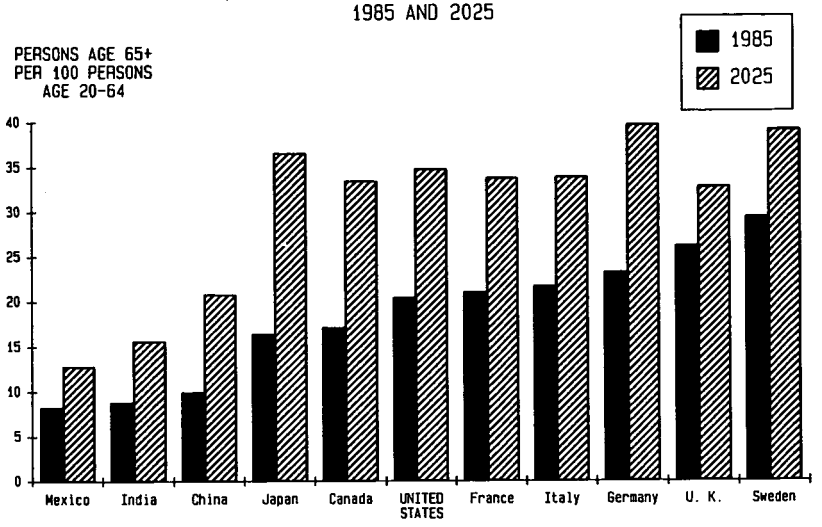
[Number of persons in dependent age group per 100 persons in supporting age group]

Nation	Total ratio ((0–19)+(65+)/(20–64))		Elderly ratio ((65+)/(20–64))		Oldest ratio ((80+)/(65+))	
	1985	2025	1985	2025	1985	2025
United States	70.8	78.4	20.5	34.8	21.7	24.4
France	70.4	75.3	21.1	33.8	25.8	18.7
West Germany	60.8	76.6	23.3	39.7	22.1	23.8
Italy	67.6	72.7	21.8	33.9	19.3	22.1
Sweden	73.5	76.3	29.4	39.1	20.9	23.6
United Kingdom	73.8	75.5	26.2	32.8	20.5	21.2
Canada	65.3	78.6	17.2	33.5	19.3	19.8
Japan	64.5	79.9	16.5	36.6	16.5	24.3
China	89.5	62.3	10.0	20.9	10.9	13.9
India	106.5	61.8	8.9	15.7	8.9	13.8
Mexico	133.4	68.2	8.3	12.9	16.4	16.0

Source: U.S. Bureau of the Census. An Aging World. 1986.

CHART 7-5

ELDERLY DEPENDENCY RATIO
(POPULATION AGE 65+/POPULATION 20-64)
1985 AND 2025



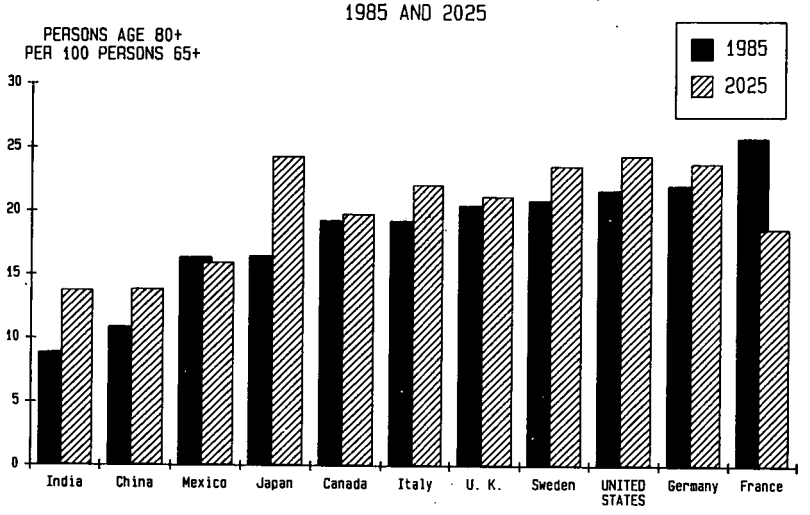
SOURCE: U.S. Bureau of the Census. An Aging World. Forthcoming, 1986.

THE UNITED STATES HAS ONE OF THE OLDEST ELDERLY POPULATIONS IN THE WORLD, A TREND THAT WILL CONTINUE THROUGH 2025—BY CONTRAST, JAPAN NOW HAS ONE OF THE YOUNGEST ELDERLY POPULATIONS IN THE DEVELOPED WORLD BUT WILL HAVE ONE OF THE OLDEST BY 2025

The United States has an unusually high proportion of the very old in its elderly population, and this proportion is expected to increase by 2025. Today, West Germany and France have larger proportions of the very old in their elderly populations, but by 2025, the United States will have a higher proportion of very old than these countries. Today, Japan's aged population is unusually young for a developed nation, but by 2025 its aged population, along with that in the United States—will be one of the oldest aged populations in the world.

CHART 7-6

OLDEST DEPENDENCY RATIO
(POPULATION AGE 80+/POPULATION 65+)
1985 AND 2025



SOURCE: U.S. Bureau of the Census. An Aging World. Forthcoming, 1986.

B. EMPLOYMENT

SMALL PERCENTAGES OF PEOPLE IN THE DEVELOPED WORLD CONTINUE TO WORK AFTER AGE 65. OLDER PEOPLE IN THE UNITED STATES ARE MORE LIKELY TO STILL BE WORKING THAN THEY ARE IN MOST OTHER DEVELOPED COUNTRIES IN THE WORLD—EXCEPT JAPAN

While the U.S. population has an early retirement pattern that is about average in the developed world, Americans are more likely to work after age 65 than are other nationalities—with the exception of the Japanese. United States labor force participation rates of men at age 60–64 are significantly higher than in Italy, France, or Germany, but are lower than in the United Kingdom, Sweden, Canada, and Japan or in the developing world. However, U.S. female participation rates at age 60–64 are higher than any other country, except Japan and Sweden.

After age 65, United States labor force participation rates are significantly higher than other developed countries, with the exception of Japan. Japan's male and female labor force participation rates after 65 are unusually high—nearly half of the men (46 percent) and one-sixth of the women (16 percent) are still working.

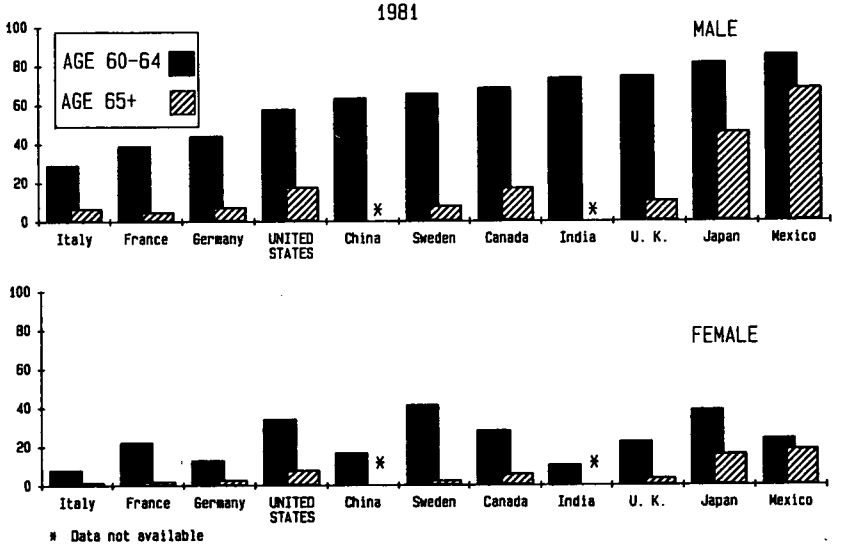
TABLE 7-6.—LABOR FORCE PARTICIPATION RATES

Nation	Year	Male		Female	
		60 to 64	65 plus	60 to 64	65 plus
United States	1982	57.9	17.7	34.2	7.9
France	1982	39.1	5.0	22.3	2.2
West Germany	1980	44.2	7.4	13.0	3.0
Italy	1981	29.1	6.9	8.0	1.5
Sweden	1980	65.9	8.1	41.4	2.6
United Kingdom	1981	74.6	10.7	22.5	3.7
Canada	1981	68.8	17.3	28.3	6.0
Japan	1980	81.5	46.0	38.8	16.1
China	1982	63.6	.....	16.8	.....
India	1971	73.8	.....	10.5	.....
Mexico	1980	85.6	68.6	24.1	18.6

Source: U.S. Bureau of the Census. An Aging World. 1986.

CHART 7-7

ELDERLY LABOR FORCE PARTICIPATION RATES
BY SEX AND AGE GROUP
1981



* Data not available

SOURCE: U.S. Bureau of the Census. An Aging World. Forthcoming, 1986.

C. ECONOMIC STATUS [2]

THE U.S. ELDERLY DERIVE A SMALLER PROPORTION OF THEIR INCOME FROM SOCIAL INSURANCE, AND A LARGER PROPORTION FROM EARNINGS AND FROM ASSETS, THAN THE ELDERLY IN MANY OTHER DEVELOPED COUNTRIES

Only one-third (35 percent) of the income of younger elderly families age 65 to 74 in the United States and Canada came from social insurance in 1979–81, compared to half or more than half of the income of younger elderly families in some of the other developed countries. The same relationship is true for the older elderly. Less than half (45 percent) of the income of elderly families age 75 and older in the United States and Canada came from social insurance, compared to nearly three quarters of the income of this age group in some of the other developed countries. Among all countries reviewed, only in Israel in 1979 did social insurance play a smaller role in the incomes of the elderly than in the United States and Canada.

Earnings and assets played a more significant role in the incomes of the elderly in the United States, Canada, and Israel than they did for the elderly in many other developed countries. However, Norway's younger elderly (age 65 to 74) derived a high proportion of income from earnings, which in combination with social insurance payments accounted for 86 percent of income.
significantly higher than other developed countries, with the excep-

TABLE 7–7.—COMPOSITION OF ELDERLY-FAMILY GROSS INCOME BY INCOME TYPE

[Percent of total income]

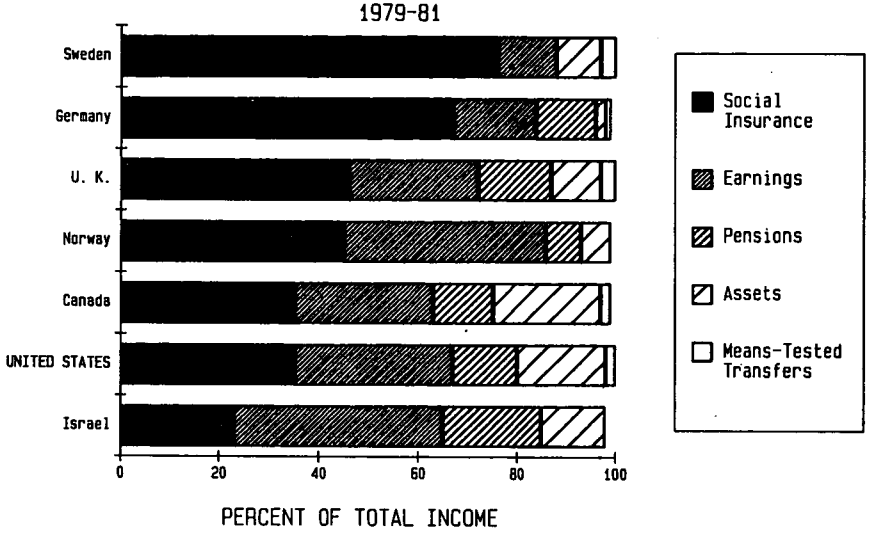
Nation	Year	Social insurance	Pensions	Earnings	Property income	Means-tested transfers
			AGE 65–74			
United States	1979	35	13	32	18	2
West Germany	1981	67	12	17	2	1
Norway	1979	45	7	41	6	0
Sweden	1979	76	.....	12	9	3
United Kingdom	1979	46	15	26	10	3
Canada	1981	35	12	28	22	2
Israel	1979	23	20	42	13	0
			AGE 75 PLUS			
United States	1979	45	12	17	24	2
West Germany	1981	75	12	8	4	1
Norway	1979	75	10	6	8	1
Sweden	1979	78	.....	2	13	7
United Kingdom	1979	54	12	17	10	7
Canada	1981	45	8	13	30	2
Israel	1979	29	25	20	22	1

Source: U.S. Bureau of the Census. An Aging World. 1986.

[2] Data on economic status in the Census Bureau's An Aging World comes from the Luxemburg Study. This study adjusted income data from seven developed nations to compare the economic status of the population.

CHART 7-8

COMPOSITION OF INCOME
OF FAMILIES WITH HEADS AGE 65 TO 74
1979-81



SOURCE: U.S. Bureau of the Census. An Aging World. Forthcoming 1986

The Poverty Rates Among the Elderly in the United States, United Kingdom, and Israel Are Among the Highest in the Developed World

In 1979, the United States had one of the largest concentrations of relatively low income elderly in the developed world. When incomes were adjusted on an equivalent basis,[3] one in five (20 percent) younger U.S. elderly (age 65 to 74) and nearly one in three (28 percent) older U.S. elderly (age 75 and older) in the low income category. While the United Kingdom had a similar distribution of low income elderly, only Israel (among the countries reviewed) had a higher concentration of low income elderly.

[3] The Luxemburg Income Study compared national-level survey income data from several countries that was adjusted to internationally comparable formats. Poverty rate is defined as a percent of families with equivalent net income less than half of the median equivalent net income.

TABLE 7-8.—EQUIVALENT POVERTY RATES BY AGE

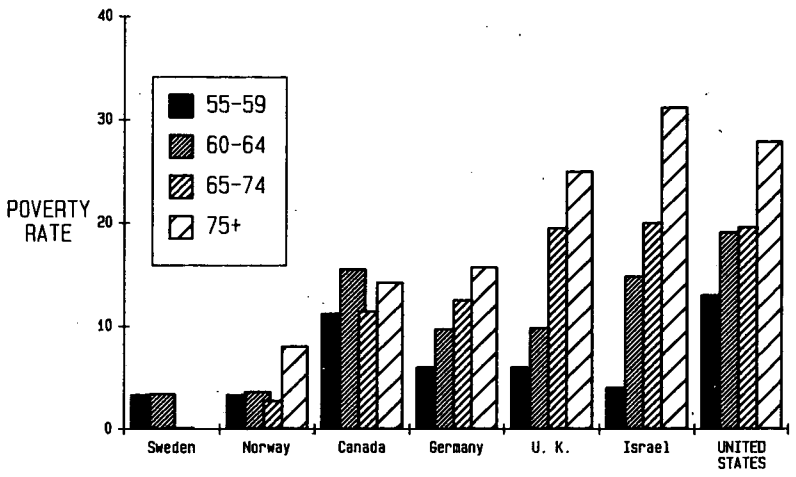
[Percent families with less than half median equivalent net income]

Nation	Year	55 to 59	60 to 64	65 to 74	75 plus
United States	1979	13.1	19.2	19.7	28.0
West Germany	1981	6.1	9.8	12.6	15.8
Norway	1979	3.4	3.7	2.8	8.1
Sweden	1979	3.4	3.5	0.2	.....
United Kingdom	1979	6.1	9.9	19.6	25.1
Canada	1981	11.3	15.6	11.5	14.3
Israel	1979	4.1	14.9	20.1	31.3

Source: U.S. Bureau of the Census. An Aging World. 1986.

CHART 7-9

EQUIVALENT POVERTY RATES
BY AGE GROUP
1979-81



SOURCE: U.S. Bureau of the Census. An Aging World. 1986

D. GOVERNMENT EXPENDITURES

While the Share of Gross Domestic Product Spent on Pensions in the United States is About Average in the Developed World, the Share Spent on Medical Care in the United States is One of the Highest of any Developed Nation

In 1980, the United States spent 8.1 percent of its gross domestic product (GDP) on pensions. While this share was nearly double that spent by Canada and Japan, it was a lower share than was spent by most European nations.

On the other hand, the 9.5 percent of GDP spent on medical care by the United States in 1980 accounted for a higher share of its GDP than any of the other countries measured, and was more than twice as high as that of Japan.

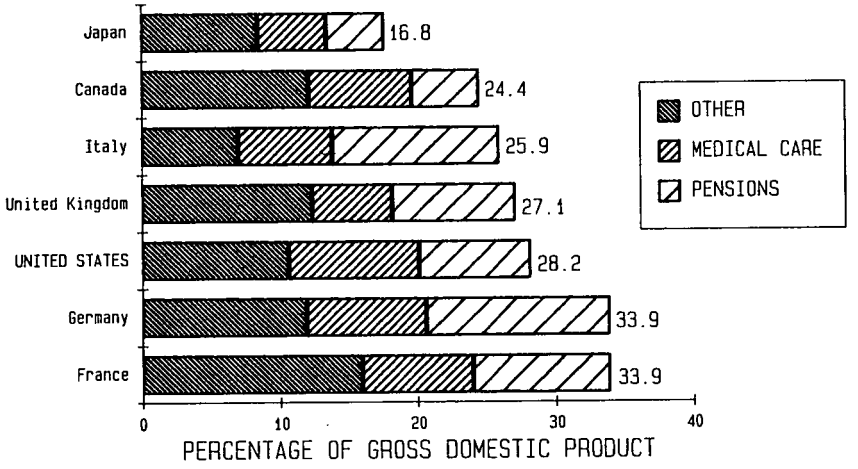
TABLE 7-9.—SOCIAL EXPENDITURES AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT, 1980

Nation	Total	Pensions	Medical care
United States	28.2	8.1	9.5
France	33.9	10.0	8.0
West Germany	33.9	13.3	8.7
Italy	25.9	12.1	6.8
United Kingdom	27.1	9.0	5.8
Canada	24.4	4.8	7.5
Japan	16.8	4.2	5.0

Note: Includes Government and private social expenditures.
Source: International Monetary Fund, Aging and Social Expenditures in the Major Industrial Countries, 1980-2025. Occasional Paper 47, September 1986.

CHART 7-10

SOCIAL EXPENDITURES
AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT
1980



SOURCE: International Monetary Fund, Aging and Social Expenditures in the Major Industrial Countries, 1980-2025. Occasional Paper 47, September 1986.

The United States is Expected To Experience a Low Rate of Growth in Government Pension Costs Over the Next 40 Years, Similar to That for Much of the Developed World—By Contrast, Japan Is Expected To Have a Rate of Growth More Than Twice That in the United States

Japan has had over the last 20 years, and will continue to have over the next 40 years, the highest rate of growth in real Government expenditures for pension costs. Japan's average annual rate of growth in pension spending of 14.1 percent between 1960 and 1980, and its projected rate of 5.9 percent between 1980 and 2025 are more than double the average rate of growth in most other developed countries.

The historical and projected pension cost growth rates for the United States are about average for the developed world. Between 1960 and 1980, U.S. Government pension costs grew by an average of 6.2 percent a year (after adjustment for inflation). Between 1980 and 2025, U.S. Government pension costs are expected to grow at an average real rate of 2.5 percent.

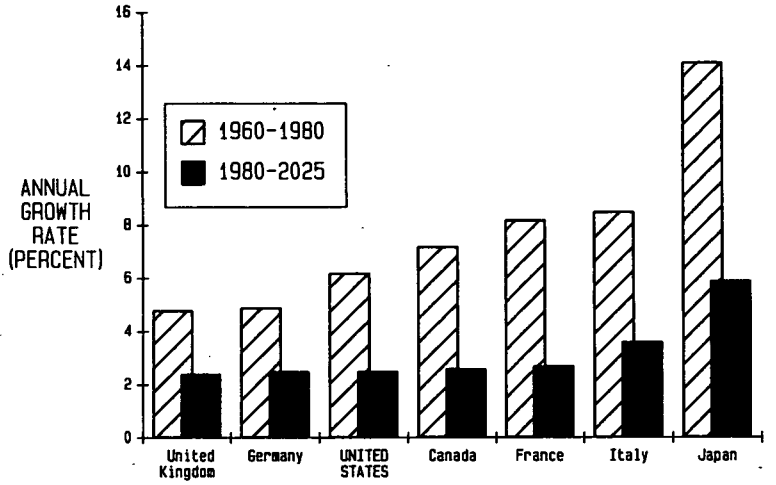
TABLE 7-10.—ANNUAL GROWTH RATE OF REAL GOVERNMENT PENSION EXPENDITURES, 1960-80 AND 1980-2025

Nation	1960-80	1980-2025
United States	6.2	2.5
France	8.2	2.7
West Germany	4.9	2.5
Italy	8.5	3.6
United Kingdom	4.8	2.4
Canada	7.2	2.6
Japan	14.1	5.9

Source: International Monetary Fund. Aging and Social Expenditures in the Major Industrial Countries, 1980-2025. Occasional Paper 47, September 1986.

CHART 7-11

REAL GOVERNMENT PENSION EXPENDITURES
ANNUAL GROWTH RATE
1960-1980 AND 1980-2025



SOURCE: International Monetary Fund, Aging and Social Expenditures in the Major Industrial Countries, 1980-2025. Occasional Paper 47, September 1986.

U.S. Government Expenditures on Medical Care are Expected to Grow Over the Next 40 Years at One of the Most Rapid Rates in the Developed World

Real government expenditures for medical care in the United States are expected to increase by 88 percent between 1980 and 2025 and in Canada by 77 percent. Other countries are expected to have more modest increases, while Germany is expected to experience no growth in real government medical care expenditures during the next four decades.

TABLE 7-11.—REAL GOVERNMENT EXPENDITURES ON MEDICAL CARE, 1980-2025

[Index: 1980=100]

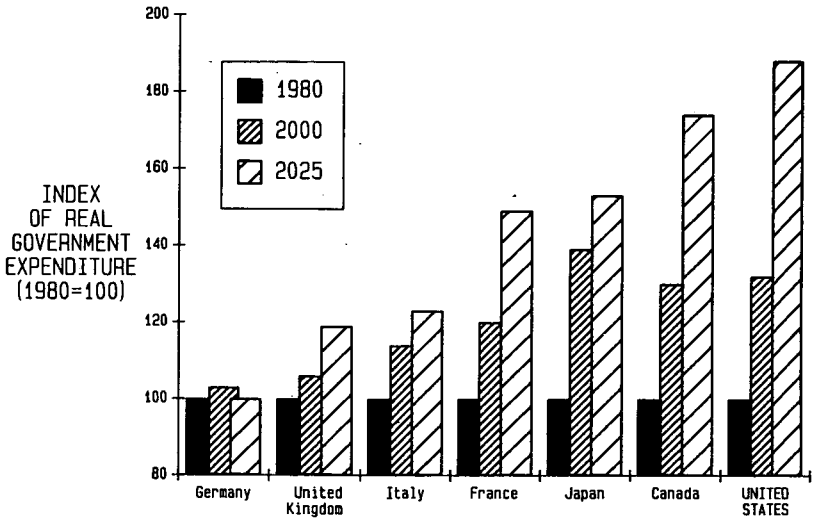
Nation	1980	2000	2025
United States	100	132	188
France	100	120	149
West Germany	100	103	100
Italy	100	114	123
United Kingdom	100	106	119
Canada	100	130	174
Japan	100	139	153

Note: IMF Fund staff estimates based on a worst case or "greater abuse" demographic scenario.

Source: International Monetary Fund. Aging and Social Expenditures in the Major Industrial Countries, 1980-2025. Occasional Paper 47, September 1986.

CHART 7-12

REAL GOVERNMENT EXPENDITURE ON MEDICAL CARE
1980 - 2025



SOURCE: International Monetary Fund, Aging and Social Expenditures in the Major Industrial Countries, 19802025. Occasional Paper 47, September 1986.

E. CONCLUSION

The United States is distinguished among the nations of the developed world in the size and growth of its very old population. Today's U.S. elderly population is older than the average country, and in 40 years, it will be one of the oldest elderly populations in the world.

Older persons in the United States seem to work longer and have lower incomes than the elderly in most other developed countries. While U.S. Government pension costs appear to be average—largely because of the smaller role that social insurance plays in this country than in other developed nations—the Government's medical care costs are the highest in the world and are expected to grow more rapidly than those in all other countries of the developed world.

O