ECONOMICS OF AGING: TOWARD A FULL SHARE IN ABUNDANCE

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BEFORE THE

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ECONOMICS OF AGING: TOWARD A FULL SHARE IN ABUNDANCE
(International Perspectives)

MONDAY, AUGUST 25, 1969

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

The special committee met at 10:15 a.m., pursuant to call, Senator Harrison A. Williams, Jr., chairman, presiding.

Present: Senators Williams and Young (of Ohio).

Also present: Members of "Economics of Aging" Task Force, including Dr. Juanita Kreps, Dr. Harold Sheppard, Dr. James Schulz; and Miss Dorothy McCamman, consultant.

Staff members present: William E. Oriol, staff director; John Guy Miller, minority staff director; and Patricia Slinkard, chief clerk.

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

The CHAIRMAN. This is the Senate Special Committee on Aging and today we have an unusual good fortune. We are about to hear from representatives of other nations who are here in Washington for the Eighth International Congress on Gerontology.

Their presence in the United States gives the committee an opportunity to tap their knowledge on a subject of concern to all people in all nations: the economic security of the elderly.

Within recent months, the committee on Aging has conducted hearings and received studies dealing with the economics of aging in this Nation. We have already received compelling documentation of the fact that a retirement crisis already exists, and we have received equally compelling warnings that the crisis will worsen, not improve, unless far-reaching actions are taken.

I believe that each witness here today has already received the earlier committee studies a working paper, "Social Security for the Aged: International Perspectives*" so I will say no more about our deliberations thus far.

Instead I will give a hearty welcome to our visitors from abroad and to those witnesses who will represent the United States. I will also thank Professor George Rohrlich of Temple University for the excellent working paper prepared in conjunction with this hearing.

And I will also greet those members of the original "Economics

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*See appendix 1, p. 1057.

of Aging" task force who can be here today: Dr. Juanita Kreps, Dr. James Schulz, and Dr. Harold Sheppard. Our consultant for the overall study, Miss Dorothy McCamman is on hand and we are happy to see her, too.

To add a personal note, I recently had the opportunity of participating in a United Nations Symposium on research related to aging. It took place in Israel, and there I had the opportunity to meet representatives of that nation as well as others.

I was deeply impressed by the common enthusiasm and far-reaching interests of the participants. Dr. Ethel Shanas did a great deal to make that a productive conference for me, and I am pleased to see that she will introduce our witnesses today.

I am sure it would be most appropriate, Dr. Shanas, if you introduced our visitors. I know that you know them all.

STATEMENT OF DR. ETHEL SHANAS, UNIVERSITY OF ILLINOIS AT CHICAGO CIRCLE

Dr. SHANAS. Thank you, Mr. Chairman.

Mr. Chairman, members of the task force, visitors, distinguished guests, my name is Ethel Shanas and I am Professor of Sociology at the University of Illinois in Chicago.

I am also secretary of the American Gerontological Society and secretary of the executive committee of the American branch of the International Association of Gerontology.

For some 10 years now my primary research interest has been the comparative study of the life situation of old people in various countries. I have been interested in how the health, the living arrangements, the family life, and the economic status of old people varied from country to country and how the needs of the elderly are met in different countries.

Certain basic problems related to income maintenance for the elderly are common to both industrialized and developing countries. These problems can be stated briefly, although their answers are not easy ones.

These problems are:

What is an acceptable income level for old people and how can it be achieved?

What should be the share of national resources allocated to older people and, finally, how should the incomes of older people be related to the incomes of other population groups?

May I say that the answers to these problems necessitate decisions at the highest national level.

Each of the countries represented here on the panel has made an attempt to meet the economic needs of the aged. We in the United States have much to learn from their experiences. I hope, too, that they have something to learn from us.

I should like now to introduce our guests from abroad and I will begin at my far right with Mrs. Dorothy Wedderburn who is a lecturer in Industrial Sociology at the Imperial College of Science and Technology in London, England.

Next to Mrs. Wedderburn is Dr. J. A. Huet, who is a professor of Anthropology and president of the French Gerontological Society from Paris.

Next to him we have another Frenchman, Mr. Paul Paillat who is Chief of the Department of Demography and Economic Studies of the National Institute of Demographic Studies in Paris.

Next to him is Professor D. F. Chebotarev, head of the Institute of Gerontology of Kiev, the U.S.S.R., who is president-elect of the International Association of Gerontology.

The gentleman to the left of Mr. Chebotarev is Mr. N. S. Verkhratsky, also from the U.S.S.R.

Then we have Mr. Frede Ostergard, who is from the Danish Institute of Social Research in Copenhagen.

Then finally at this end of the table we have Mr. Uri Dotan who is Director of the Old Age and Survivors Insurance Department of the National Insurance Institute of Israel in Jerusalem, Israel.

Finally I should introduce our two American experts who are members of the panel although they are sitting up here. At my far right is Dr. Wilma Donahue, who is codirector of the Institute on Gerontology at the University of Michigan and Wayne State University at Ann Arbor; and, then, of course, Mrs. Lenore Epstein Bixby, who is Director of the Division of Retirement and Survivors' Study of the Social Security Administration.

Having now introduced our distinguished speakers, Mr. Chairman, I must apologize to them, to you, and members of the task force for my need to leave. I am giving a paper in a half hour at the International Association of Gerontology meeting.

The CHAIRMAN. When you publish it, we will read it. Thank you very much.

Before we begin with our most distinguished panel, I would like to say we are grateful indeed that one of my colleagues could be here even though Congress is not in session, as you know, this week. Senator Stephen Young of Ohio who has two clear distinctions here in the Senate of the United States, one a most eminent Senator, and, number two, I believe the tennis champion of our organization.

Senator YOUNG. I was until I broke my hand. Thank you very much, Mr. Chairman. I am happy to be here but I told the chairman and I am very regretful that I have engagements in Ohio. Several days before this meeting was set, I made arrangements to go to my state of Ohio.

My term is up in 1971. Under our system of government every Senator must either run every 6 years or be retired voluntarily or involuntarily at the end of 6 years, but I am not going back to Ohio on political business but to make some reports to my constituents.

I am very happy even though I may not be able to remain here very long, I am very happy to meet up with you. I think it is a wonderful thing that you are here and it is very helpful to the Congress of the United States that you are appearing before us.

The CHAIRMAN. Mrs. Wedderburn, would you please begin for us?

STATEMENT OF MRS. DOROTHY WEDDERBURN, LECTURER IN INDUSTRIAL SOCIETY, THE IMPERIAL COLLEGE OF SCIENCE AND TECHNOLOGY, LONDON, ENGLAND

Mrs. WEDDERBURN. Senator Williams, and friends, I think this is a very splendid opportunity for us coming from other countries to exchange ideas with you because I am quite sure that in this field of the problems of aging comparisons of experience in different countries provides us with much useful information.

Following the points which you indicated you would like some expression of views on, I think I can begin by saying that in England the problems of the aged have been receiving increasing attention and serious attention from our government, particularly, I would say in the last 10 years.

This is not simply because the proportion of the population over 65 is increasing, although this is true, but it also reflects a growing awareness of the needs of the elderly and of the problems which arise if the gap is allowed to increase between the standard of living of the elderly and the rest of the population. As evidence of this concern, I would draw attention to the fact that our Government has recently published radical new proposals for an entire overhaul of our social security system which introduced what may seem to you a well known phenomenon, but which is new for us, a wage related pension scheme. This will have many features built into it to deal with some of the problems which you have encountered in your own wage related scheme. These major proposals are still being discussed but it is hoped there will be legislation, and that the scheme will be in operation by 1972.

We have also had a very important report prepared for the Government by a Royal Commission looking at the whole problem of the area of social services provided at local level. A lot of emphasis was placed in that upon the needs of the elderly in terms of housing, domiciliary services, health services and the like.

Lastly, I think as evidence of the concern of our Government I would produce the fact that although many of us still think that economic provision is still inadequate and still leaves many improvements to be desired, we have in the last 5 years had an increase in the real value of the retirement pension if you measure this against average earnings in manufacturing industry.

Whereas, in 1961 the flat rate retirement pension for a couple represented 31 percent of male average earnings in manufacturing and other industries, it is now standing at 34 percent, which have of course also increased in real terms over that period.

So if you like the share of the national income going to the elderly has increased allbeit slightly in real terms in the last 8 years.

I think if I might then move from this general view of the concern of our Government with the position of the elderly to make one or two points about our provisions which seem to me to be of interest to what I think are common problems of the elderly in most countries.

COMMON PROBLEMS OF THE ELDERLY

First of all, I think in the economic field one of the most important aspects of our provision is that we do have a universal supplementary pension which is available, subject to a test of means, to all elderly people and which does provide a minimum floor below which very, very few elderly people fall.

This supplementary pension has also increased in real value in the last 5 years. Problems still arise, since it is paid subject to a test of means, to which some old people still object because they feel they have not earned this supplementary pension as a right. But this affects a relatively small proportion of the aged population.

So one can say that our supplementary pension does guarantee a general minimum standard of living to the elderly in our country.

Second, of course, I think the provision of the National Health Service is of crucial importance in understanding and evaluating the welfare of old people in Britain and evaluating their standard of living.

The Health Service, as you know, is available free to all sections of the population. But because you, I am sure, Senator Williams are well aware of the particular problems for the elderly of medical care, you can appreciate that to have a free health service which provides free consultation with general physicians, provides free hospitalization, and although other sections of the population have to pay a small amount for drugs, for old people drugs too are free.

This is of immense value in improving and increasing the standard of living of old people.

I think, although it is true that we spend a smaller proportion of our gross domestic product than you do on medical facilities in general, in my reading of our gross national research on the elderly in the United States, Denmark and Britain, I would say medical access is more equal and greater for the deprived groups of the population—the poor and the elderly who are at the lower end of the income scale—in Britain than in the United States.

Lastly, I think of importance is the development of services for elderly populations which also affects their economic standard of living and that is the growing emphasis on the provision of welfare services at a local level.

Still only a small proportion of our gross national domestic product is going on these services such as home nursing, home help services, meals on wheels services, and, of course, residential accommodations and special housing for the elderly.

But all of these I think are financed to a much greater extent through public money, either local money or national Government than in the United States. Many of us feel this is the area where most attention needs to be paid.

Finally, not to overrun my time I could pose the problem: What seem to be the problems we both share? The first one is the problem of maintaining and increasing continuously the real values of pensions and benefits available to the elderly.

Though I said we have managed to increase these in real terms in the last 5 years there is nothing at all automatic about this in our system at the moment. It is the result, if you like, of political pressures and the general concern of the public and the general concern of our present Government.

But I think we need to examine any proposals for the reform of Social Security provisions in terms of whether they will both guarantee and maintain the standard of living of the elderly and also improve it relative to other sections of the population.

"PREVENTIVE ACTION"

Secondly, I think a problem which we share in our country, and in your country, is the need to devise preventive methods and pay more attention to the problems of prevention among the elderly in social, economic, and medical terms.

Here the emphasis placed in the health service on the early detection and prevention of health need in the elderly is very important and it is extremely important to avoid any kind of financial barrier to this early detection.

Lastly, I think there is the problem of identifying the need in individual terms at a local level. We can talk about global policies to provide for the elderly but these have to be interpreted in the light of local needs and local circumstances, indeed, in terms of individual needs.

I think in our country at any rate this is an area where we need to pay much more attention to the development of ways of detecting and identifying individual need so that the services which are provided are made available to those who need them.

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

I thought we would hear all of you and then I am sure each will open areas which the rest of us can expand with you.

Doctor Huet?

STATEMENT OF DR. J. A. HUET, PRESIDENT, INTERNATIONAL CENTER OF SOCIAL GERONTOLOGY, PARIS, FRANCE

Dr. HUET. Senator Williams, ladies and gentlemen, it is a great honor to be your guest today.

I have been in politics for 25 years and I have been president of the Paris City Council and always I have appreciated to have in front of us experts of other countries because it is always very vivifying.

You asked us four questions which I will try to answer with my poor English, but excuse it, please.

You asked about the fundamental attitude of the elderly as expressed in the policies of the Government of your Nation. In France the Government has a good knowledge of the problems of the "third age."

We have a quinquennial plan which is theoretically satisfying but as always the financial implements do not always permit national realizations.

Of course you know that political options are always a question of real emergency. Youth and industrial expansion are more urgent than financial dispositions in favor of old people. In France, there is often misery but there is never hunger.

On your second question, major public mechanisms for assuring economic security for the elderly people of your nation and the gross national product. The economic security of the elderly in France is insured by the townships, for 47 percent; the departments 25 percent; the government 25 percent; other resources 3 percent. If we see the figures of the GNP in 1960, it was 302 billions of francs and that would be $60 billions of dollars, and the Social Budget was 16.8 percent of that.

19.3 Percent for "Social Budget"

In 1969, the general budget was 700 billions and the social budget of 19.3 percent. On the social budget only for old people, in 1960, 14 billions, 164 millions. That is 27.9 percent of the general budget.

In 1969, it went up to 46 billion, 636.3 millions, so that would be 34.4 percent instead of 37.9 percent on the totality of the GNP. The social budget represented 19.3 percent. And in that budget only 6.36 percent is devoted to old people.

Then you must notice that the progression of the social budget of the nation is much swifter than that of the GNP. That is why perhaps we had that last devaluation.

The third question—governmental actions and policies intended to protect the elderly against financial problems caused by health costs —well, in 1961, the Government created an *ad hoc* committee on old age problems. The committee was chaired by Mr. Laroque, president of the Social Commission in the Council of State. One of the rapporteurs to of that committee was Mr. Paillat. The best specialists on aging problems worked a whole year and published a very good book, "A Policy for Old Age."

In June, 1969, the Minister of Social Affairs organized a seminar during one week to study the recommendations that should be sent to government in favor of old people. These recommendations should be taken into consideration by the next quinquennial plan which will begin in 1970. Actually the health costs are supported for 80 percent by social security and 100 percent in case of chronic or long-term disability and diseases.

The old people have their sanitary expenses only covered at eighty percent by social security but they have generally a private insurance which takes in charge the extra 20 percent.

Last question: Any other point you may wish to bring briefly to the attention of the committee.

First: Enormous sums of money, governmental and private are "frozen" in banks.

Second: Information is quite insufficient and defective. If governments were aware of the benefits they could make with a policy of the "third age," I am sure they would change their options.

Third: If all financial experts were correctly informed and conditioned, they would create and organize the "market of the third age."

Fourth: There is no possibility for a politic in favor of youth and expansion if the burden of the old people is too heavy.

Lastly, governmental action cannot absorb and resolve all of the problems of the elderly. Many valuable private organizations could be of a very great help.

The best should be selected and recognized by state departments.

Economy and efficiency must be the two "leit motivs" of a long-term policy in favor of old people. Thank you.

The Chairman. Mr. Paillat.

STATEMENT OF MR. PAUL PAILLAT, INSTITUT NATIONAL D'ETUDES DEMOGRAPHIQUES

Mr. PAILLAT. Mr. Chairman, I thank you very much for my being here and I plan not to say again what my distinguished colleague, Dr. Huet, has said.

As a demographer I would lay emphasis upon population changes on income change. As you are well aware, but as public opinion is not aware, changes in age structure which has nothing to do with the length of life has completely modified the ratio between the number of old people and the number of adults, I mean the number of working people, the number of the income-producing people.

For instance, in our industrialized society, in yours, in mine and even in Soviet Russia the percentage of the elderly (65 and over) within the total population is between 8 and 13 instead of between 3 and 4.

Also the ratio between the elderly and the adults, our own group for the time being, is deteriorating. That means also that the appropriate share for the elderly people is going to cost more and more.

Whatever we do and whatever are the actual facts, meaning social security schemes, tax schemes, present contributions and what else, we have to remember that the income of the elderly is taken from the national income or taken from the Gross National Product. Senator Williams stressed that fact in his first question and Dr. Huet gave you the figure for France. Even if the figure for France looked good, it should not hide the sore fact that too many French elderly live in poor conditions.

I am talking in my individual capacity and not as a government official. We have 6½ million old people; more than 2 million receive social assistance. Their income is under the means test ceiling. The case of women is even harder because in our country women are very much likely to become widows and the large majority of these widows have only minimal pensions.

There has been an extension of pension rights. That means that a large majority of elderly are receiving social security allowances, but the latest figures show that the minimum income provided to any aged French man or woman today is less than a half of the minimum wage for an industrial worker and no one can state that the needs of an elderly person is less than a half of that of an industrial worker.

A FAIR SHARE OF THE ECONOMY?

So what can we do? Mr. Chairman, you asked us a question but may I ask a question, too? The main point is: Are we ready today in our society, whatever the regime and whatever the level of affluence, are we ready to give a fair share to the elderly and, if so, is this fair share going to be a fair share forever? It has to be linked with the economic progress of the country.

Are we ready to improve the channels through which such fair share is allocated? Everybody agrees that social security scheme is a good way but it is insufficient. This point is also stated in your committee's report, but it does not mean that we have to disregard the merits of this scheme and discard it.

We have to remember also that individual savings, whatever the degree of national wealth, are completely insufficient to provide a proper decent life in the third age.

That means we have to investigate very carefully every possibility of mending the current system, and maybe invent new sources. May I remind that our nations are now aged and no more young?

Can we overlook the case also of childless elderly? When 20 to 25 percent of old people state that they have no more surviving children (or they never had one), it is partly due to their own efforts to limit the size of their family, partly due to their inability to procreate, partly due to historical events such as wars (not to speak of road accidents). The lesser the number of children, the greater the probability of a lonesome old age. The process may also stand by children's migration from rural areas to towns, a demographic and economic factor. Who can deny that isolation is often associated with lower nonmonetary insurances?

Taking this statement into proper considerations, the French Planning Board has created a study group to which I belong and has requested it to investigate what will be the changes in the long run of the main facets of the old-age problem. Thank you.

STATEMENT OF DR. D. F. CHEBOTAREV, INSTITUTE OF GERONTOLOGY, KIEV, U.S.S.R.

The CHAIRMAN. Dr. Chebotarev?

Dr. CHEBOTAREV. First of all, I want to thank Senator Williams for his kind letter and for his proposal to have a report here. Since I am not sure about my English, I have asked my colleague to introduce my report in which we try to answer the questions which you put in your letter.

Demographic aging of population expressed in the increase in the absolute and relative number of elderly persons was evident in the Soviet Union also in the same recent decade. A significant growth of the population of the pensionary age from 16.6 millions in 1939 to 25.5 millions in 1959 and to 34.3 millions in 1968 gave rise to the necessity of radical solution of a number of economic, social and medical and other problems concerning the aged.

During the last 10 to 15 years the U.S.S.R. Government adopted some laws on improvement of pensionary security in the country. The law of 1956 foresaw substantial increase in pensions for workers on an average of 100 percent. The law of 1964 provided state pensions on aging and disability for all of the collective farmers who up to this time were maintained by the collective farms.

The long-term development of the economy of the country envisaged the development of pensions security and increased pensions.

For the recent years not only the minimum level of the pension increased but also increased at the middle level.

A decision of the Soviet Government about the invitation of the pensioners because of age who preserve their capacity to work in the institutions and enterprises plays an essential role in securing a significant increase in the standard of living of elderly people.

A great number of special decisions according to which pensioners of many professions, if they wish, may preserve their work or have some others and satisfy not only salary but also pensions.

This law was adopted in 1964.

The number of working pensioners was 10 percent throughout the country and in some regions this number is 70 percent. It means for young pensioners. One of the very important factors influencing then positively the budget of the elderly person is in the Soviet Union the free medical aid.

With the growing demand in it with age—this factor largely contributes to the financial possibilities of the old people.

Houses for the Old

The development of a network of the houses for the old maintained mainly at the expense of state expenditures and to a lesser degree at the costs of the collective farms is at a stage that brings us closer to the full satisfaction of the demands of the old people in these places.

In a number of the districts of the country there is already no need to be on the waiting list to enter the House for the Old.

A general number of beds in these institutions is in the total near 250,000 in the U.S.S.R. Per each 1,000 persons aged 60 and over it is about 10 beds and in some Soviet Republics where the need is higher there are 23 beds.

In the general budget of elderly persons relatively small rent is also of great importance. Approximately 5 to 10 percent of salary.

A number of persons receiving age pension and disability was in 1968 over 30 million persons.

Expenses for pension increased to 17 milliards.

In our country there is a very high level of physicians 25 per 10,000 population in 1967 and hospital beds, 101 beds per 10,000 population, a rather wide network of outpatient and hospital institutions and free medical aid in these institutions for all citizens.

You can judge about this in particular from certain results of selected studies.

Relative studies of persons aged 60 and over who take medical advice is 12–20 percent from the total number. Among all hospitalized in the medical institutions the patients aged 60 and over account for 15–20 percent. Among these who received medical aid at home about forty percent are people aged 60 and over.

The same number is among those who received urgent aid.

The economy of the aged, it is the problem which needs further investigation and the social-economic measures to improve it are to be developed.

Thank you.

The Chairman. Thank you very much.

Mr. Ostergard.

STATEMENT OF MR. FREDE OSTERGARD, DANISH INSTITUTE OF SOCIAL RESEARCH, COPENHAGEN, DENMARK

Mr. Ostergard. On behalf of the Institute of Social Research I shall thank you for the invitation to come here and answer your questions about pension systems.

The first question as to the fundamental attitude of the Danish Government toward the elderly: During the last century we had in Denmark an interesting development of attitudes toward the elderly of different political parties.

In the first part of that period progressive parties advocated the introduction of income tested state pensions to poor aged, and later on they advocated higher pension levels, usually against some opposition from conservative parties. But from about 1930 there has generally been agreement between all major political parties about improvements of pensions—An excellent description of this development is given by Henning Friss: "Issues in Social Security Policies," to be published in "In Honor of Evelyn Burns."

Today all parties and governments in Denmark seem to be very sympathetic to the aged. If one party makes a proposal for improving conditions of the aged in some respect or other, it very seldom happens that any other major political party will directly oppose such a proposal.

In Denmark we have a state system of old age pension covering all single women 62 and over and all men and married women 67 and over.

It is possible to obtain an old age pension at an earlier age, if health is reduced, although not bad enough to get a disablement pension.

This state pension is not related to earlier employment, but is financed through state taxes.

Pension is income tested, but from April 1970 the income test will be abolished. From that date all aged persons will get the same full basic pension. But certain increments are payable to special groups of the aged: For married couples, one of whom only is receiving a pension, a marriage supplement is paid. Child supplements are paid. Deferral supplements to those who postpone their application for a pension. And old age supplements to persons who have reached the age of 80.

Supplement for Poor Pensioners

Finally a special supplement is paid out to poor pensioners with no or only small incomes above and besides pensions. As of April of this year full basic pension for a couple plus the special supplement to poor pensioners including contributions to health insurance corresponds to about 51 percent of the yearly pay for an unskilled worker with wife and no children, after taxes.

Besides this state pension system we have in Denmark from 1964 introduced a compulsory labor market supplementary pension to which employers and employees pay small wage related contributions.

When fully effective from about 1980 the labor market supplementary pensions will perhaps comprise about 25 percent of state pension. To this must be added that most old people have other incomes from other sources above and beyond pensions.

The total yearly cost for state old age pension constituted in 1966, 2801 mill Danish Kroner, which was about 3.7 percent of gross national product in that year, 74.800 mill Danish Kroner.

If one also includes contributions for the labor market supplementary pensions, 345 mill Danish Kroner in 1966, the percentage of gross national product was 4.2 in 1966. To this could also be added expenditures for welfare services for the aged, 244 mill Danish Kroner in 1966. To this must be added health costs and so forth.

As to governmental actions to protect the elderly against financial problems caused by health costs, the Danish system of health insurance covers the entire population. Old persons receiving only their pension, do not themselves pay premiums to health insurance. Hospital care, medical care, dental care and medicine is free of payment.

Home help and home nursing is free of payment for aged receiving only their pension. Pensioners staying in old age or nursing homes do not get their pension, instead they get board and lodging free plus a small monthly amount for their personal needs.

Funeral expenses are paid up to a certain amount.

And now to the last point on the agenda. I started saying that all political parties in Denmark today are very sensitive to claims from the aged.

In our country persons aged 65 and over constitute about 17 percent of all voters. If we also include persons nearing pensionable age, for example persons 55 years and over they constitute 34 percent of all voters.

As we have in Denmark a very narrow margin in seats in Parliament between Government and opposition no major political party will act contrary to the wishes of such a large group of voters.

Furthermore, there exists in Denmark a strong association of old age and disability pensioners. This association is very competently led and it has created its own secretariat which puts forth proposals for improvement of conditions of the aged, and furnishes the press and members of parliament with propaganda material, for example, excellent statistical material, biased of course, but only slightly biased.

The association has in a natural way grown up from smaller member societies, societies of the blind, tuberculosis patients, the crippled and different societies of old age pensioners. These societies are united in the association of old age and disability pensioners.

Now, sir, my last point, I think it necessary in the near future in a country such as ours to try to determine how high a fair old age pension should be.

To do that one must evaluate the needs in old age compared to needs in earlier periods of life considering different expenditures for children, for consumer durables, and differing health costs and differences in attitudes toward newer commodities.

It would also be necessary to compare level of living of old age pensioners and other needy groups as for instance widows or family of an unskilled worker.

The CHAIRMAN. Thank you very much.

Mr. DOTAN.

STATEMENT OF URI DOTAN, NATIONAL INSTITUTE, JERUSALEM, ISRAEL

Mr. DOTAN. Mr. Chairman, thank you for inviting a representative of a small country to appear as a witness before your distinguished committee.

As an old nation, in a young state based on immigration, Israel had the advantage to start with a comparatively low percentage of residents aged 65 and over.

This percentage was less than 4 percent in 1948 (the year our State was established) is approaching at present to 7 percent and will reach 8 percent in another 10 years.

In absolute figures we will then have about 300,000 old people. I understand that this very number represents the net increase in your country now in a single year.

This small aged population consisted mainly of newcomers to our country and was steadily increased by additional immigration. Financial reserves, such as savings or nongovernmental group pensions were almost nonexistent.

Therefore for the purpose of income maintenance it became essential for the government to provide basic means of subsistence to the overwhelming majority of the old.

So in establishing a pension system the policy was to give pensions to as many people as feasible and as quickly as possible.

During the transitory period people as old as 67 were included in the insured population and the qualifying period was as low as 3 years.

During the 12 years which have passed since the first payment of old age pensions, efforts have been made to achieve the universality of coverage.

The scope of insurability has been extended, most of restrictions for eligibility have been abolished and recently special pensions have been added.

These special pensions, equal in amount to ordinary pensions are paid by the National Insurance Institute to non-insurable residents, but not out of insurance funds.

At present they form about 18 percent of the total old-age pensions. It seems that during the next 2 years we should be able to reach the ultimate goal, which is to provide the entire old age population with pensions. At the start of the scheme coverage was only 42 percent.

Regardless of the fact that contributions are fixed as a percentage of wages or taxable income, the pensions are on a flat rate basis, varying in accordance with the number of dependents. The ratio between minimum and maximum contributions is 1.23 and so the system achieves a high degree of redistribution.

Linked to Cost of Living

Pensions are automatically linked to a cost of living index but may also be specially raised by governmental decision. During the last 12 years there were 11 automatic increases (some as small as 0.7 percent) and 3 special increases of pensions. But in no way did those increases reflect the rising standard of living. At the time of planning the value of a flat rate pension for a single person was 22 percent of the average wage in Israel.

This percentage has declined to 10.8 percent in 1965 and has only recently gone up again to 13 percent.

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The absolute purchasing power of our pensions is so low that a supplementary flat rate pension had to be added in 1965. This supplement, raising the pension's value by about a third, is granted only to persons who have passed a rather liberal means test.

It is paid to 40 percent of the ordinary pensioners and to 82 percent of those in receipt of special pensions. Expenditure on basic insurance pensions is 0.7 percent of the gross national product and 1 percent—if special pensions and supplements are included.

Another goal of our Government was to provide work for those elderly who were not yet or who were not at all eligible for pensions. For this purpose a special Government sponsored and subsidized agency was established, which provides employment for those who cannot be placed in the open market.

The uniform monthly wages for a single man are 150 percent of the average supplementary pension and approximately 3 percent of the elderly are employed by this special agency.

Old age benefits had to be built up from scratch, but there was no urgent need for the establishment of special governmental health services for the elderly. There exists in my country a comprehensive voluntary health insurance system covering about 85 percent of the population.

Only 55 Percent Insured

However, only about 55 percent of the population of the elderly are fully voluntarily insured. Those who are not and who are entitled to supplementary pensions as needy persons, become partly insured as soon as they start to draw their pensions. Partial insurance entitles one to physician's and other professional services and free supply of drugs but does not include hospital care.

The insured contribute toward health insurance about 3.7 percent of their pensions—somewhat less for couples—which represents one third of the total insurance payment and the balance is covered by Government treasury and municipalities.

About 25 percent of the pensioners are getting medical aid through this insurance.

Public assistance covers hospitalization costs, as well as dental and other special health services for the needy. It also supplies home-help services, meal on wheels, subsidizes home repairs and participates in the upkeep of day-care centers for the elderly.

Although we have succeeded in building a framework in which something is being given to all the elderly and may be even in guarding the stability of benefits in terms of purchasing power, we have failed in granting them their proper share in the rising standard of living in our community.

When we introduced the national insurance pensions for the aged, no other comprehensive scheme existed. Now however, about two thirds of the working population can look forward to graduated retirement benefits under Trade Union Pension Schemes.

These benefits are on a much higher level and make our small State pensions look inadequate and unappropriate. An ad hoc committee had been appointed recently to work out proposals for graduated pensions based on income before retirement.

It is my personal hope that a two-story system will best serve this aim. The basement of it will consist of our fixed uniform pension ensuring a minimum subsistence whatever that may mean.

On top of it will be built a wage related supplement and all pensions will be sealed by a maximum percentage of wages decided upon.

As the wage related pension will approach this maximum the uniform pension will decrease. By this method we shall be able to retain the redistributive element which characterizes our present system.

Thank you.

The CHAIRMAN. Mrs. Bixby?

STATEMENT OF MRS. LENORE E. BIXBY, DIRECTOR, DIVISION OF RETIREMENT AND SURVIVOR STUDIES, SOCIAL SECURITY ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mrs. BIXBY. Mr. Chairman, I appreciate very much this opportunity to participate in a hearing giving an international perspective on the economics of aging. It is a privilege, indeed. Your letter suggested that I comment on the policies of the U.S. Government in this field.

I am sure you know that my own responsibilities are in the research area. I think that I can perhaps be most useful by pointing out the implications of some recent research findings, but let me first try to respond, very briefly, to the questions in your letter because of their relationship to the comments of our distinguished visitors from abroad.

We have an Older Americans Act, very familiar to this committee, which expresses grave concern about the well-being of the elderly. The Federal program of Old Age Survivors and Disability Insurance attempts to express this concern in more concrete form by providing an economic underpinning for the aged population.

More than nine out of 10 workers in the United States are now covered under this system. There is a supplementary public assistance system which may provide support for persons whose income does not meet their needs.

At the present time, about 17 million out of 20 million persons 65 and over in the United States do receive a social security benefit and approximately 1.4 million others could receive a benefit if they retired or, in the case of women who do not themselves work, if the husband retires.

Together this makes more than nine out of 10 of the aged population. However, in testimony presented to this committee, the Commissioner of Social Security made it very clear that many older persons do not have the income necessary to support an acceptable standard of living.

He emphasized also that in spite of the provisions we now have for health insurance for older people, rising prices and medical care costs bear particularly hard on persons no longer able to earn.

As Mr. Ostergard of Denmark pointed out, there are older people under age 65 who, I am sure, are also of concern to your committee.

At the present time about 2.2 million people age 62 to 64 draw benefits either as retired workers, disabled workers, or dependents.

I think we should recognize that young dependents of retired workers also have entitlement to benefits in many cases, and that this too is important for older people, even though their benefits may not be large enough.

A recent study completed by the Survey Research Center at the University of Michigan, focused on the reasons for retirement, found that most persons choose to retire early only if they anticipate a retirement income of at least $4,000. This sum far exceeds the income of most older people now retired and probably what most persons to retire in the near future can expect.

The problem is what do we do about it? That $4,000 figure is very close to the estimate of the need for a moderate budget for an elderly couple. Apparently the statistics that are compiled by the Bureau of Labor Statistics to measure need are close to the amount that people look forward to for themselves.

The second important factor in considering retirement income is the replacement of earnings, the relationship of income after retirement to income before retirement. And that, too, is too low by most measures for most retirees.

Effects of Early Retirement

When analyzing recently the preretirement earnings of a group that came on our benefit rolls in 1966, I found that more than a third of the people who took benefits at age 62, which means that they had to accept a reduction of 20 percent, had very poor employment records. They worked sporadically and they had low earnings most of their working life.

They were in sharp contrast to the group who waited until age 65 to claim a cash benefit and in even sharper contrast to those who came within our ken where they enrolled for Medicare, even though they did not wish cash benefits immediately.

On the other hand, I want to make one last point, and that is that many persons who took early benefits did have a relatively good work history. This group, presumably because they had earnings at the taxable maximum and in most cases were working until the year before entitlement, were likely to have a private pension. They could look forward to leisure in reasonable comfort. We have to make a decision as to how we allocate resources between those who can work and those who are unable to work either because of ill health or because of obsolescence of skill or other economic problems.

I don't have ready answers, but it seems to me we have much data to support the comments that have been made by people from abroad this morning. We need to consider seriously what they have told us.

You asked our visitors to comment on the proportion of the gross national product going for the aged. I have some figures for 1967–1968, which is the last year for which we estimated total social welfare expenditures under public programs in this country.

At that time, out of a gross national product of $822 billion, $112 billion went for programs of income maintenance, health, education, veterans, social services, and a bit for public housing. Out of the $112 billion, $34 billion was for persons 65 and over. This was 4.2 percent of the GNP that year and I assume that by now that proportion has gone up a bit.

But in view of what we know of the low economic circumstances of most old people, it is obviously not enough.

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

Dr. Wilma Donahue from the Institute of Gerontology of the University of Michigan.

STATEMENT OF DR. WILMA DONAHUE, COCHAIRMAN, INSTITUTE OF GERONTOLOGY, UNIVERSITY OF MICHIGAN, WAYNE STATE UNIVERSITY

Dr. DONAHUE. Thank you, Mr. Chairman.

Mr. Chairman, I shall not, as have the other members on this panel, speak from the point of view of the national Government. Rather, I shall present the views of older citizens themselves. I shall use as one source of data, the results of the senior citizens hearings held during the last few months by the Michigan State Commission on Aging, for which I serve as chairman. A second source is a study of the adequacy of income as perceived by nearly 500 retirees living independently in the Detroit metropolitan area, this study has just been completed at The University of Michigan by Mr. David Peterson who is a staff member of the Institute of Gerontology.

The Michigan Commission on Aging considers one of its most important responsibilities to be that of bringing the economic and other problems of the State's older citizens to the attention of the Governor, the legislature, and to local and public bodies. It also seeks the inclusion of the older population in such special Federal-State programs as model cities, comprehensive regional health planning, community mental health centers, and low-cost housing. The Commission, likewise presses the voluntary agencies, not only to include, but to give a high priority rating to the need of older people for the important services provided by these organizations.

To insure that its advocacy be based on what older people themselves find to be their major problems, the Commission held senior citizen hearings this year in seven localities ranging from the large urban to the most rural areas of the State. Older people were invited to come and speak for themselves about any problem that concerned them as old people. And they came to every one of the seven hearings, hundreds strong, and many spoke.

In general, all witnesses told the same story, regardless of whether they lived in the big city or rural hamlet. The theme was always the same—"money." They documented again and again what the U.S. Senate Special Committee on Aging—"Task Force on Economics of Aging"—recently reported so brilliantly and forcefully; that is, that their economic situation is the major problem of today's old people and that it is worsening the longer they live.

DIRECT TESTIMONY ON "THE SQUEEZE"

The witnesses spoke of the constant erosion of their incomes as they were caught in the "squeeze" between rising costs and fixed, low-level incomes. They made clear that Government is failing to take adequate steps to protect their incomes in the face of rising costs. They pointed out the pitifully small social security increases which do not even keep pace with the rising cost-of-living. At every hearing they told us that school taxes are skyrocketing—in some communities having increased as much as 300 to 400 percent in the last 5 years. Homeowners pointed out that homestead tax exemptions allowed older people became outmoded when a new State equalization valuation law caused the reassessment of all homes at 50 percent of today's fair selling price as opposed to the 25 percent previously assessed. The upward assessment disqualified many older homeowners for the exemption with the result that they found themselves faced with several hundred dollars of new taxes while their incomes had not increased by a cent. They asked for more homestead tax relief, and I may add that the Michigan Legislature gave a small measure of it this session.

Among other issues of taxation reported over and over were the insurmountable burdens of the special assessments on homestead property for such items as sewers, sidewalks, water systems, paving and other public works, and the eroding effect of the State sales tax which reduces each of their dollars to 96 cents or even less if they spend, as many must, less than a dollar at a time.

Other economic burdens, from which older people feel they must have relief, reflect the failures of government, business, and voluntary community agencies. The old people pointed out the limitations of medicare and medicaid which exclude costs of drugs, glasses, dental care, hearing aids, and home help to free younger family members for employment. Unless the older person is in poverty or is imminently threatened by it, thus qualifying him for Old Age Assistance or related services, he finds very little help with the cost of these extra health care needs.

Retiree Consumer Problems

In reference to the Old Age Assistance program, the witnesses called attention to the fact that in a State like Michigan, which has a categorical limitation of a $32.50 monthly allowance for food (an amount that has not been readjusted since 1961), poor old people cannot provide themselves with an adequate diet. Further, they pointed out that the 20 percent increase in the food allowance made possible by the food stamp program only brings the amount up to a mere $39. When asked what amount would be an adequate food allowance, the old people requested a modest $61 or $62 per month—hardly an amount designed to raid the Treasury. The Food Stamp program, which President Nixon has recommended phasing out in form of equated OAA payments to the poor aged—all States, still leaves unanswered the question of whether the payments will provide an adequate income to meet more than just their most basic needs.

Other retiree consumer problems, reiterated over and over in the testimonies, included the lack of public transportation to shopping centers where prices are lower; the exploitation perpetrated upon the old by unscrupulous entrepreneurs, such as land sales and house repair promoters, auto and health insurance companies, and others.

A recent increase in public housing rents was of special concern because many older tenants, who had been just barely managing to meet their financial needs, simply did not have the extra money required to pay the increase. When announcing the increase, the public housing authority commiserated by letter with the elderly tenants and offered to help them secure public assistance—a welfare measure intolerable to many proud old people. And I think one must ask why public tax money out of the pocket labeled welfare is any better a solution or any more acceptable to society as a whole, than if those same tax dollars were used to give more support directly to the public housing projects. The latter method preserves the dignity of the individual citizen, at least, in our society where a major part of homeownership and building involves some form of Government financing.

In most of the testimonies one discerns worry and even fear for the future. The hearings did not give the older people an opportunity to indicate how they as a group perceived their economic status today and in the future, nor did they make possible a quantitative assessment of who or what agencies retirees perceive as responsible for improving the financial condition of the older population. These data have become available for Michigan residents—in any detail for the first time—in the study Mr. Peterson will soon report in the literature.

Using a questionnaire method, Mr. Peterson has learned how a group of retirees, all of whom are still able to cope well enough to remain in the community, perceive their past, present and future financial circumstances. In retrospect, half the group perceived their income before retirement to have been adequate.

TABLE 1.—RETIREES' PERCEIVED ADEQUACY OF THEIR INCOMES

[Percent]

Period	Adequate	Partially adequate	Inadequate
Before retirement	51	21	28
Currently	30	15	55
5 years from now	25	6	69

Currently, however, only 30 percent perceive their income as adequate and 55 percent say that it is inadequate. Five years from now the proportion who expect their incomes to still be adequate to their need drops to 25, while the proportion expecting their financial circumstances to be inadequate rises by 14 points to 69 percent.

Savings Have Little Impact

If savings as well as income are considered, the picture changes very little. The percentage who perceive their finances as adequate rises from 30 to 35 percent, but the percentage viewing their finances as inadequate remains approximately the same. Peterson reports that "many of the older people commented that if things continue to go the way they have been, they don't know what they'll do * * * . The future looks more and more hopeless."

And this is especially true for groups that have been prone to inadequacy of income at all stages of life, that is, women, blacks, the poorly educated, the nonmarried, and those with low incomes. Eighty percent of the black retirees and 90 percent with the lowest incomes predict that within 5 years their finances will be totally inadequate to meet their needs.

Financial inadequacy in retirement is a bitter pill for the old. Having lived through a period when financial responsibility was a personal virtue of highest merit, they are ill prepared to accept dependency or charity in any form. When Peterson asked from what source retirement income should come, most selected a source "considered to be contributory, that is, sources that provide income because of the efforts of retirees themselves (while they were workers)." Table 2 lists the preferred sources of retirement income for those who can still provide for themselves. Most noteworthy is the fact that 65 percent chose some form of Government program. Only 2 percent suggested employment as a source, and only one person said children should be the source of income for the retired.

TABLE 2.—SOURCES OF INCOME SELECTED BY RETIREES

Sources	Percent
Government:	
Social security	45
Guaranteed income	11
Grant	7
Old age assistance	2
Private pensions	20
Savings and investments	13
Employment	2
Retirees' children	(*)

But none of these sources are providing adequate incomes to the retiree, to say nothing of giving them a share in the continuously increasing affluence of the country. This brings me to a theme which ran like a minor chord throughout the Michigan testimony and was reflected also in the Peterson study. One witness phrased it in these words, "even though old people don't like it, they are nevertheless subject today to society's patronage." He was referring to the fact that retirees are being forced to resort to tactics which are undignified and which make them recipients of either direct or indirect charity.

Their government and other resources having failed them, they have no choice but to seek and accept whatever makeshift ways of increasing their buying power they can scrounge up. Thus, we are fast developing a social system where, if you will declare your age as 60 or more, you can get reduced rates on busses, at the theatre, on drugs; and even some banks excuse the service charges on senior citizens minimum accounts.

I am not saying that such practices are not necessary in the face of the crucial need of the millions of the poor aged to stretch every dollar into two or more. They have no choice but to exploit every possible avenue and every soft heart, if they are going to be able to merely keep alive these next years. My point is that this is a dilemma with which the old of this country should not be faced. The United

States is financially able, according to the most competent of economists, to follow a social policy which would insure that every older citizen could live in the same dignity as his younger peers. The relegation of the old to the role of "beggar for financial favors" is incompatable with our stated policy that all our citizens without regard to race, religion, creed, and, I add, or age, shall share proportionally to their needs in the goods and services our country can produce so abundantly.

ROUNDTABLE DISCUSSION

The CHAIRMAN. Thank you very much. You register what we heard last week from people in the State of New Jersey.

Before we turn to our task force for a discussion, it seems to me we have seven nations represented here. I believe it manifest that we all share the conclusion of being contributors to the gross national product for our respective nations does not mean a retirement from life and our main objective here is to realize the means of bringing through economic security, true economic security to older people in our Nation.

I think it is also abundantly clear that this objective has not nearly been reached. Someone mentioned before we came into this room, out in the anteroom, though the answer is very easy, it just takes money.

Yes, I guess that probably is basic to our conclusion of reaching true economic security and even there we have to pause. Mrs. Wedderburn indicated, I believe, that 300,000 older people were brought into a greater measure of economic security when they were brought or wrapped into or blanketed into the National Insurance program.

In other words, off charity, welfare, whatever the name, and into their older income at a later stage as a matter of right. Am I correct in that, Mrs. Wedderburn?

Is that what your experience has been in Great Britain?

Mrs. WEDDERBURN. Of course, this is a very important point. I think the 300,000 refers to the increase in the number of pensioners receiving supplementary pension after the attempt to change the nature of the way in which our income test supplementary pension was applied in 1966. The object was to make it more acceptable to deal with some of the problems which Dr. Donahue has been mentioning where people feel that they do not wish to ask for charity it became a supplementary pension as of right. It still has to be applied for but that is the way in which more people found it acceptable and came under a better provision.

The CHAIRMAN. I was interested also, Doctor, in evaluating our own situation here. As desperate as older people are finding the economics of living, older people represent nearly ten percent of our population and in terms of overall income they receive, as I recall your percentage figure, 4.2 percent of our gross national product.

Mrs. BIXBY. That was the percentage of GNP for social welfare expenditures under public programs in 1967–68. We do not now have an estimate of the total income of the aged, including income from private sources. The 4.2 percent relates purely to public programs, but includes health and medical as well as social insurance, public aid, and social services.

The CHAIRMAN. I would like to turn to our task force now and all of the panel members here presumably have had an opportunity to review it and evaluate the situation of elderly people in this country and their economic posture.

I would like now to turn to Dr. Kreps. Dr. Kreps?

COMMENTS BY DR. KREPS

Dr. KREPS. This committee has already heard the testimony of the task force members; hence, I should like not to take any of the time from our friends abroad, whose advice we desperately need in the handling of the problems that are under discussion.

I should like only to interject one additional comment to underscore what I think is one of the main questions under discussion: What is the target group we are considering?

All of my middle-aged friends behave as if they think they will be middle-aged for the rest of their lives; in reality, as Kenneth Boulding has noted, "the one thing we know for sure about any age group is that it has no future. The young become middle-aged, the middle-aged become old, and the old die."

We are thus talking not just about the present aged but about the aged of the future: ourselves. This makes particularly cogent Dr. Donahue's objections to the ways in which we have been handling this problem. It also underscores the theme of our earlier discussions: the problem comes to be a matter of how we maintain a given level of living, but more importantly, how we maintain that level of living through time.

We are not so much concerned here with bringing people up to a particular level, if the implication is that we then leave it there. We have to come to grips with the problem of tying any level of living to the rising standards that the working groups experience.

In conclusion, I want to emphasize something Mr. Dotan said: we are talking about a proper share in a rising standard of living, he indicated. I think this charge ought to be our theme.

Thank you, Senator Williams.

The CHAIRMAN. What is a proper share in a rising standard of living? That is a big question.

Anyone can speak up at this point. It is an open session. What would you say is a proper share, Dr. Schulz. I will say in this country the gap is widening and I think that was abundantly clear in the task force study.

COMMENTS BY DR. SCHULZ

Dr. SCHULZ. Senator, I was impressed this morning as I listened to these distinguished people, impressed by what seems to be a common search going on in various countries of the world. It is a search for solutions to various economic problems of the aged, problems such as are embodied in the question just raised by Dr. Kreps.

It seems to me that we in the United States can and should draw upon the vast experience of other countries of the world. In answer to the question Dr. Kreps has raised, it seems to me that the industrialized countries of the world today are entering a new phase in the development of social security programs.

The old phase as I interpret it and generalize it is one where these countries sought to provide minimum allowances of one sort or another to just keep older people alive, and the new phase is one where old age is no longer considered a period—again, I am generalizing—where older people sit around, hopefully out of the way, and wait for death. It is increasingly recognized that this should instead be a period of meaningful activity.

In order to make meaningful activity in old age possible, the task force has pointed out the need for an adequate economic base and the need for developing institutions in the various countries to support the new attitudes developing among older people and those who are not yet old but are approaching old age.

When I listen to the developments taking place in countries represented here and look at the developments in some countries not represented, I see an important trend. I think it is a very important trend. It is a trend toward the development of dynamic pensions which, I think, are the key to providing a meaningful share for older people.

Dynamic pensions are pensions which do not adjust just for changes in the cost of living; instead they are pensions which seek to maintain a standard of living in retirement which is similar to the person's preretirement standard of living.

Moreover, these dynamic pensions in general seek to adjust the standard of living of older persons to keep pace with the rising standard of living of the whole population.

As I said earlier in this series of hearings, to find an answer to the question Dr. Kreps has raised we should look to those countries which have developed highly innovative pension systems and are moving in the direction of dynamic pensions.

To mention some countries not represented here—West Germany, Sweden, and Austria, I think, are ahead of us in these developments, and I think this is a trend of the future.

As I said before, I hope we are entering a new phase of social security legislation. I think as we do this the solutions will begin to appear.

The CHAIRMAN. Are there any other comments on the question Dr. Kreps propounded?

COMMENTS BY DR. SHEPPARD

Dr. SHEPPARD. I don't think there is a scientific answer to that. I think there is a political and ethical problem involved. I don't separate ethics and politics in my conceptual scheme. I want to tie it down to the sort of thing which Mr. Paillat talked about, the demography of the situation, the relationship of the size of the different age groups to each other.

We did not know 30 years ago and 40 years ago in all of the industrialized modern countries that we were going to have a larger and larger number of people not working over a given age and also an increasing proportion of the total population who would not be working.

One issue is, how much will the young who are working be willing to take out of their present income to, first, pay for the present retired population and second, prepare for their own future retirement years.

Number two as a basic issue, isn't it time we began radically to consider the whole question of when should a person stop working? We have not begun to do any new thinking in that field. At least in the United States it has been a policy of drift or a Pavlovian conditioned response, of unthinkingly lowering and lowering the retirement age or unthinkingly keeping it at a certain fixed age.

I am raising the question of about whether or not the working population will continue to be willing to pay for the demands, justifiable demands of older people, for more income. I think there is going to be a point beyond which they will say no because they have present demands on themselves for their children, and so forth.

I think we are going to have to radically reconsider the whole question of work for older people because at the same time we are making these so called older people healthier. They are not sick relative to what the elderly were of 25 and 30 years ago.

I again want to ask a question about the degree to which this type of question is going on in the European countries represented here and also to ask Mr. Dotan; you made a point about having to find new jobs for some of these people who were not covered yet.

That relates to the issue of what kinds of jobs do we find for people in their sixties.

Mr. Paillat. Since Dr. Sheppard mentioned demography I will take the floor again. I share his comments and I would add to my former comments. I talked only about the relative number of adults and old people but I might add a new element, meaning the length of working life. Nowadays the trend is benefiting from progress in productivity and so on. Everybody is dreaming of lesser work because if you are not lucky enough to have a very fascinating job as I have, the large majority of people work only to earn a living.

Everybody is eager to work less, but we have to realize that when an adult works less, that means lesser benefits for old people.

The length of idle life is commanded more or less by demographic ratios. When a large number of people in adult age stop working and you adopt provisions for lower retirement age, you observe a large increase in the number of pensioned people. Of course we work less than in the 19th century but how to draw benefits from economical and technical progress? You can either postpone the time of work for the young or shorten the week, everybody having an English weekend, or shorten the year thanks to longer vacations or lower retirement age.

For instance I would rather work longer because I would enjoy longer a better income and take advantage of my temporary fitness, but if I claim my pension at a lower age, say at 60, maybe I will be handicapped or at least I will have an income reduced by 40 percent.

In actuarial terms, I don't know whether Dr. Kreps agrees with me, I was told that at my age I have the choice between retiring at 60 or enjoying 7 weeks of holidays per year with retirement at 65.

I would rather take the second alternative. I don't know what you do. But does the public know that there are alternatives? Everybody in my country reacts with passion and shouts and now we have a conflict between the workers and say the general system of pensions.

The worker and especially the trade unions believe that by lowering the retirement age they make new jobs available for adults, which is partly untrue and which increase the burden of the pensions. But basically, who pays the pensions, if not the workers?

Dr. KREPS. May I add one comment? The whole question of the leisure component of economic growth is the one we are grappling with here, and it is a twofold question, as Paul indicated—one, how much of your growth would you take in the form of leisure as opposed to taking it in more goods and services? And two, how would you have the leisure distributed through the life cycle? Some of us have proposed many times that we try to reallocate leisure through the life cycle, rather than taking it all at the very end of worklife.

I think if we have a Holy Grail question, perhaps this is it, not the one so termed earlier. How would you apportion man's total work through his life span in such a way as to maximize the utility of leisure as well as provide an even flow of income?

Dr. SHEPPARD. I would like to see if Mr. Dotan can answer part of the question I was raising, if one of the solutions is to keep people working—I don't want to sound like an advocate of the Puritan ethnic that work is good for the soul.

I am talking about it in terms of the economy and when people do finally have to retire at a decent income. I am also interested in what the Soviet gentlemen have to say about their aspirations in their own country about the status of the older person.

Mr. DOTAN. If I understand you correctly, you referred to the special agency established in our country, which gives work to those elderly who cannot yet receive pensions. It is difficult to defend this arrangement from a purely economic point of view. Our Treasury is opposed to give the money for this kind of work, and would prefer to give them earlier special pensions because it costs them less than to keep them at work.

Dr. SHEPPARD. It gives us a clue as to what we might be having older people work at. What kinds of work do these people do?

Mr. DOTAN. They are employed in gardening, as watchmen, janitoring. Jobs which could be done more efficiently by younger people, except when there is full employment, so that even at higher costs you might be ready to use older workers. Actually the justification is that giving wages for work done is preferable to referring them to public assistance.

As I pointed out, the scope of this employment is rather small, only 3 percent of the elderly are getting those jobs.

Mr. MILLER. You speak of the possibility that these jobs might be done faster or more efficiently by younger people. What age group essentially is involved in this employment project that you are speaking of? How old are they?

Mr. DOTAN. Age 65 is the old-age pension age in my country, they are people under 65 and those above 65 who in the past were not entitled to pensions.

Dr. HUET. I would like to answer Dr. Sheppard first. He said, and I quite agree with him, that if we give to older people pensions and we permit them to lower the retirement age, it is the young people who will have to carry the burden. It is quite impossible.

In France for an adult worker, he has to carry on his shoulder two youngsters and two old people, that is too much. They won't pay the taxes. They won't pay the physical burden. That is one point of view.

The second point of view is in answer to Mr. Miller's interpretation. We have had in France for many years what we call "senat." It is old workers in important plants.

The first International Congress of Gerontology was held in St. Louis, Mo., and I reported the experience of an industrial plant, automobiles, where they employ workers between 65 and 80. They work for a few hours or for the whole week, just as they feel capable of doing that. But then all of that is merely evaluation and it is quite different from a nation to nation, because it is a question of finance and it is a question of politics.

In England we choose such and such a politic because in the movement they must give the funds in favor of young people for the expansion of the nation, the economic expansion. In another nation it might be quite different and it will be like that for a term of parliament or government for 5 or 10 years or something like that, but it cannot be compared.

Then you have two different conceptions of the distribution of the GNP, the socialist distribution and the capitalist distribution, and the two are quite different conceptions, and they are, and I might add by the same will of being good and favorable to old people, but when you haven't anything in your pocket what can you do? You can't do anything.

The question of the age of retirement is a function of the requirements of the nation and all of the rest is imagination.

Mrs. WEDDERBURN. Can I deal with several points which have been brought up?

I think the question of the burden on the workers or the working population does raise this very important point which Mr. Huet touched on, which is the impact of the financing. We have not touched on that, but how social security maintenance programs are financed.

They can be financed in a more progressive or less progressive way in terms of their general impact on the total revenue situation. I think it is not just a question of distribution over time, but distribution as of now in whether or not one adopts a regressive or progressive method of financing income maintenance programs.

Secondly, I think Juanita obviously raises the Holy Grail question, but I do think it has to be seen against the general economic situation in each of the countries that we have been listening to today. In Britain where we have a full employment situation and basically a demographic situation where we are suffering from a shortage of the working population, there is every inducement for older people to stay at work.

Against this kind of background, I think the policies that one wants to see developed are ones which genuinely offer choice. This seems to me to be the key here. I don't agree with Mr. Paillat that everybody wants to stop working even among manual workers.

There is a lot of sociological evidence that many workers wish to continue working if work is available to them. I think what we lack certainly in Britain is a situation where any choice can be realistically and effectively open to the older person. Sometimes he is forced to retire because his employer has a compulsory retirement age, even though he wishes to go on working.

In other situations he would like to retire, but he cannot because he knows the drop in income will be too great to be acceptable to him. This seems to me to be a nonchoice situation, but it is not beyond the wit of man to devise systems to increase the areas of choice.

The third question I would like to touch on is the point raised by Dr. Schulz on dynamic pensions. We in Britain are moving toward this in our earnings-related pension proposals which make the pensions dynamic at least up to the point where they are drawn. When the person retires, the pension will be expressed as a proportion of average earnings at the time of his retirement, but the big weakness in our new proposals which is there, despite all of the evidence of the importance of this, is that there is no built-in provision to increase pensions in payment in real terms in relation to the increase in the level of national income or in the level of national earnings.

There is going to be built-in protection against price increases, but as the proposals stand at the moment there will be no built-in guarantee that pensioners already drawing pensions will share in any increase in the general standard of living. This seems to me to be a very interesting example, an object lesson of how we go on making the same mistakes. Although we know how important it is, new pension proposals can still be put forward without building in this guarantee.

There is another aspect of dynamic pensions which seems to me not to have been dealt with. One or two of my colleagues here have raised the fact that the big problem of pensions is for women.

I am sorry if I am about to make a slightly feminist statement, but most of us come from countries where there is still unequal pay for women in most sectors of the economy. Any pension plan, any income maintenance program which does not take account of this fact is going to present us with problems among older women.

Dr. SHEPPARD. Vive la différence!

Mrs. WEDDERBURN. The last point I wanted to make was in relation to needs. I found Dr. Donahue's evidence absolutely fascinating, not least because it underlined in very real terms the problems which pensioners experience, but also because it brought out a point which concerns me a lot, and that is the low expectations that old people have for themselves.

I think when we think about our affluent society, we have to remember that what old people demand for themselves is shaped by their economic experiences of a past, lower, less affluent society, and in a sense it is incumbent upon other age groups in the population to defend their interests because their expectations are not high enough.

I make this point perhaps irrelevantly in the United States but in Britain it is a very relevant point. When people talk about the needs of old people, they overlook the fact that old people in Britain who have a lower ownership of refrigerators and washing machines than any other age group, are in fact the people who need these consumer durables more than those in the active age groups in the population. They are the people who cannot go out and do their shopping and they cannot do their washing adequately and they have more problems of washing because of incontinence and the like.

So when we talk about the needs of the older people, let's not assume they are less than other groups of the population and let us recognize that their expectations unfortunately have been shaped in days when standards of living were generally lower.

Dr. CHEBOTAREV (interpreter). The question is very important and this is one of the more important question of gerontology. Of course, in each of the industrial development countries the quantities of persons who have rights to receive pension increased. Of course, with this life expectancy these expenses lie on the shoulders of more young populations.

We think that when a person came to the age when he can receive his pension and if his health permits him, it must keep the work for him. According to statistical data obtained in our country and also in other countries, the persons who lost their interest in life, who came to the pension and don't work, had poorer health, the mortality in such persons is higher than that group of persons who still work during their pension years.

Here it is important not as a decrease of his economic income, but here is a very important psychological moment when the man feels that he is useful rather than not having any value in the society.

Also the other point is the hyperdynamic regime of this person—still spend more time sitting than moving, and this leads to the development of cardiovascular disease.

It is known to everybody very well that the speed of life and the speed of industrial processes is very high and it is very difficult to find such kinds of work which is adjusted to the capacities and possibilities of old persons.

We believe when the person came to his pension age, for a man in the U.S.S.R. it is 60 years and for women it is 55 years, these persons should continue to work, but at a lower speed.

We think that such continuation of work is useful for the country, on the one hand, and for this person, on the other hand.

Of course, this question can only be answered in terms of when this person came to the pension age. He must not be forced to work; he can work only if he wants to do so and wants to still preserve his independence.

The CHAIRMAN. Then there is an age when a person can retire as a matter of right and receive a pension in the Soviet Union?

Dr. CHEBOTAREV (interpreter). According to the new law, the persons who come to the age of pension can continue to work and receive pension, but it depends on the profession of this person. In some professions they receive 100 percent of pension and in other professions they receive a lower pension, but it depends on the state of health of this person.

Dr. KREPS. I think one of the questions we are asking is the question of whether the person who reaches the age of pension has a free choice between working, not working, and if he does not work, does he then draw full pension?

Mr. CHEBOTAREV (interpreter). When he came to the pension age ——

The CHAIRMAN. What is the age?

Dr. CHEBOTAREV (interpreter). 60 for men and 55 for women. When the person reaches pension age, he may work and there is no restrictions for him. He can work as long as he wants. It depends only on his health.

Dr. SHEPPARD. May he retire if he wants to?

Dr. CHEBOTAREV (interpreter). Yes, and in some professions he may continue to work, to receive his salary and at the same time receive the pension in the full amount.

The CHAIRMAN. I would say that is more than dynamic.

Miss McCAMMAN. The report that Mr. Rohrlich has prepared for us points to the German and Austrian system where pensions are provided at an earlier age where people have been unemployed for a long time and, as Mrs. Bixby pointed out, when our retirement age was reduced, it was quite obvious people were encountering difficulties in getting employment.

I would like to ask Mr. Ostergard what they do in Denmark, where, if I understand correct, the localities may certify hardship cases where there is difficulty in getting jobs for earlier retirement; is that right?

Mr. OSTERGARD. Yes. We have had for several years the possibility that people could get retirement pension if health was impaired, but not impaired to the limit of disability pension.

This preretirement pension could be given to people at age 60 while normal pension age was 67 years. A few years ago we had an act which provided that persons who were not ill, but lived in areas of large unemployment could get retirement pension.

Mr. PAILLAT. May I supplement your information about that? I understood that you were eager to know what the situation was in the case of bad employment or unemployment making it more difficult for older people. In France we have adopted a system according which, in critical areas, where the unemployment is too severe, the people over 60 are authorized to draw their pension at full amount just as if they were 65.

Mrs. WEDDERBURN. Just one small point, I think if you are making comparison between Denmark and other countries one has to remember the pension Mr. Ostergard is talking about is not dependent on contributions made during working life. Therefore the problem that Mrs. Bixby was talking about in relation to low contributions records simply do not apply.

Dr. SHEPPARD. What we are doing in this country is creating a new class of the poor. Much of our public policy has been based on the assumption that all of the poor were born poor but it is not true.

We are making some new poor in our country and I don't think we have become aware of it. I would like to give this sermon as much as I can so we can reverse the trend of making more people poor.

We have contradictory policies in our country that we are unaware of, at least at the public policy level which includes the Senate and the Congress.

Mrs. BIXBY. May I make three quick points? In connection with this last point, I think we fail to recognize how many of the higher paid workers get smaller benefits than they would if it were not for early retirement. Not only are their benefits reduced actuarially but early retirees lose the advantage of having contributed during a period when earnings levels and the wage base were probably higher than before they left covered employment.

A second point is in connection with Dr. Sheppard's comments on who can work. I think studies in this country and the British-Danish comparison all show that people who continue to work after the pensionable age tend to be those in the higher-paid salaried occupations, and also the self-employed, particularly farmers.

The latter obviously can work at their own pace. Presumably, the others have a skill that is in demand, a job that is challenging, or both. This seems to me to be a factor to be considered.

A third point, relates to my comments on what we call social welfare expenditures, which is a very broad category including education. I mentioned the percent of the GNP going to such expenditures for older people, but I failed to mention that about 30 percent of the total spent under public programs of this sort goes to people 65 and older. If one thinks of the aged group as including people slightly younger, the percentage would of course increase.

Of the Federal payments for such programs, about half goes to people 65 and older, primarily because of the importance of Social Security benefits.

In connection with the "burden," I think this is another factor to consider.

Dr. SHEPPARD. May I have an argument with my distinguished colleague? I don't think we should establish or determine policies strictly on the basis of fact. I am serious.

Mrs. BIXBY. I agree.

Dr. SHEPPARD. The fact that those aged who continue to work are in certain occupations and like their job better is only a basis for the challenging question—how do we make it possible for older people to continue work for whatever reason, whether it is public policy or individual desire?

We have done nothing in the way of redesigning jobs to make it easier for older people to work, we have done nothing to develop newer training techniques so older people can learn these new skills needed to stay in the labor force.

I only know of one man known for this sort of thing, Meredith Belbin, in England and we have done nothing about trying to expand those techniques in this country.

We have done nothing about new counseling techniques to encourage and motivate older workers to continue to want to work and so on. It is not enough. I am a researcher myself but I don't get involved in policy decisionmaking purely on the basis of factualism as well.

There have to be some norms.

Dr. KREPS. We have done nothing to entice the older worker to stay in the labor force because we have suffered such unemployment that we have felt that we did not "need" them in the labor force.

Dr. SHEPPARD. This is the way we have tried to solve our unemployment problem.

Dr. KREPS. That is right. Our seduction of older people out of the labor force has been a corollary of our attempts to create jobs for younger workers. It is poor policy to try to solve the unemployment problem in this way, or to allow retirement policy to be so determined.

Dr. SHEPPARD. When we had high unemployment we partially solved it by getting older people out of the work force and now even when we have high employment we continue to get older people out of the work force. In part, it is an unthinking conditioned response.

The CHAIRMAN. Our social security system was born during the Depression and this had the double thrust for the unemployed and also protecting the employment market to some degree.

Dr. HUET. I think it is very difficult. In France generally the people who retire do not want to work. When you give them a chance they always find something to object—it is too far or too tiresome, or too something. In our residences and national centers of workers, we see that when we ask them if they want to work and we have 10 villages of old workers, their answer is no, we are retired, we are not going to work again.

There is another aspect of the question and it is very well studied in your last document of August. I read "Where gains in economic productivity cause current earnings of employed and self-employed persons to rise faster than price levels" that is the question—"those no longer economically active even if their substitute incomes do keep up with price changes are bound to fall increasingly behind."

That is the question. Practically, it is very difficult to know when you work with old people and manage them on a large scale to get them to work again.

Some will work and some will give very good work, but the majority—well, in Latin countries——

The CHAIRMAN. I am sure we would all like to continue the discussion but it is now 12:30 p.m. Everybody has been so helpful here this morning. I know some of you are anxious to get back to your conference downtown as of now.

I want to extend the committee's thanks to all of you for a very enriching experience and very helpful and productive one. Our record will be read by our people out of town.

Mr. ORIOL. It is the custom at these hearings for witnesses to be given a copy of the transcript to make whatever editing changes will be made. We will make an effort to get that to you during this International Conference so that it will not be following you from nation to nation.

The other point is for those who have to go directly from here to the International Conference, Mrs. Slinkard, our chief clerk, has information about approximately four cars which are available for anyone who wishes to use them to get back to the conference.

The CHAIRMAN. We did have in the audience William Fitch of the National Council on Aging; Lawrence Oxley, National Council of Senior Citizens; Peter Hughes, the American Association of Retired Persons; and Marjorie Borkler from the Association of Senior Citizens.

We are glad to have you with us.

The committee's thanks for your appearance.

(Whereupon, at 12:35 p.m. the Special Committee on Aging adjourned subject to call of the Chair.)

Appendix 1

SOCIAL SECURITY FOR THE AGED: INTERNATIONAL PERSPECTIVES

A WORKING PAPER PREPARED FOR A HEARING ON "INTERNATIONAL PERSPECTIVES ON THE ECONOMICS OF AGING," AUGUST 25, 1969

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

CONTENTS

FOREWORD

Earlier this year, the U.S. Senate Special Committee began its study of "The Economics of Aging: Toward a Full Share in Abundance." Testimony taken on April 29 and 30 provided an excellent survey of the field and suggested additional lines of inquiry. Since that time, individual subcommittees have conducted hearings on specialized subjects,[1] and witnesses have provided valuable insights and recommendations for committee study.

The Committee has already issued two other working papers[2] and one fact sheet[3] in conjunction with its hearings thus far. On the pages that follow, Prof. George Rohrlich has provided a new working paper to be used in connection with a hearing on August 25 by the Committee on Aging.

That hearing, made possible by the cooperation of the sponsors of the Eighth International Congress on Gerontology (Washington, D.C., August 24–29, 1969), will deal with international perspectives on the economics of aging. Witnesses will represent several nations and will compare national programs for economic security of the elderly.

Professor Rohrlich has the gratitude of the Committee on Aging for making such a substantial contribution to its studies. His willingness to share his wide range of knowledge about international approaches to social security has provided the committee another invaluable source-book for its studies.

HARRISON A. WILLIAMS,
Chairman, Special Committee on Aging.

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[1] "Consumer Aspects of the Economics of Aging," Ann Arbor, Mich., June 9, 1969; "Health Aspects of the Economics of Aging," Washington, D.C., July 17–18, 1969; "Homeownership Aspects of the Economics of Aging," Washington, D.C., July 31 and Aug. 1, 1969; and "Suburban Aspects of the Economics of Aging," Paramus, N.J., and Cape May, N.J., Aug. 14–15, 1969.

[2] "Economics of Aging: Toward a Full Share in Abundance," March 1969. "Health Aspects of the Economics of Aging," July 1969.

[3] "Homeownership Aspects of the Economics of Aging," July 1969.

SOCIAL SECURITY FOR THE AGED: INTERNATIONAL PERSPECTIVES

(By George F. Rohrlich, Professor of Political Economy and Social Insurance, Temple University School of Business Administration)

INTRODUCTION

A ground swell of protest against all forms of dependence marks our time. A fierce desire for emancipation from societal constraints and from traditional limitations deemed no longer necessary or acceptable animates important sectors of the young and the underprivileged in this country and elsewhere. Though avowed objectives differ, one common denominator is the assertion of a *rightful* claim. Another common quality attaches to the substance of the demands. Despite their varied garb and points of attack, they would appear to be manifestations of the age-old quest for fulfillment of the basic human needs for wherewithal and dignity.

The aged, though suffering large-scale deprivation as evidenced by the highest incidence of poverty of any group, at least in the United States, are second only to children of young ages—who, in turn, comprise the largest absolute number of poor amongst all segments of the population—in their inability to back their claim to "a full share in abundance" with public displays of power and threats of disruption. Nevertheless, the proposition that "Poverty Anywhere Is a Threat to Prosperity Everywhere" [1] holds true *mutatis mutandis*, even if the concatenation of cause and effect is not as direct and, therefore, not as obvious as in some other cases in point.

Measures for the alleviation of the avoidable burdens of old age, notably methods to assure that the common material needs of the aged are met, exist in sundry varieties. The choices between them will be governed partly by preference and in larger part by financial and institutional constraints. This working paper outlines, in little more than skeleton form, the main approaches developed to date, some of their strengths and limitations. It is necessarily schematic, so as to fit existing varieties into relatively few clearly distinguishable categories, and far from exhaustive. The aim is to provide a broad general orientation, rather than a detailed guide, to the array of social security measures that benefit the aged. It is hoped that the paper may provide a usable framework and point of departure for discussion.

[1] Art. 1 of the Declaration of Philadelphia adopted by the International Labor Organization meeting in its 26th session in Philadelphia on May 10, 1944.

I. THE CONCEPT OF SOCIAL SECURITY

"Social Security" has been called a new name for an old aspiration.[1] In the broad and inclusive sense in which that term was first used in the United States Social Security Act of 1935, and more fully developed in the British Report on "Social Insurance and Allied Services" (Beveridge Report) of 1942, it stands for the effective protection against want in certain common contingencies of life, such as old age and invalidity, work-disabling sickness, etc., entailing the loss or substantial reduction of normal income or giving rise to special needs.

In the years since, something else that is new, besides the name, has become part and parcel of the concept of "social security". It is the scope and quality of protection that have come to be associated with programs of this type, to wit: the expectation that such protection be available in all the common contingencies; to all persons exposed to them; pursuant to standards that are socially acceptable; and as of right.

This four-fold test of the adequacy of protection applies to the working of the social security fabric in its entirety. Whether the desired result is achieved by a single program or by means of two or more programs, each catering to different needs or groups of persons, is not of the essence. What counts is the total protection offered by the system as a whole.

II. PRINCIPAL APPROACHES

Three different techniques have been worked out and have stood the test of time: social insurance, social assistance, and universal pensions. These are used as alternatives or in combination with one another and, quite frequently, are supplemented by various other measures. The peculiarities, strengths and weaknesses of each of these main types of program are highlighted in the following, with special reference to the needs of the aging.

A. Social Insurance—The "Earned Right" Approach

Social insurance is the most common among the methods used to achieve social security, both for income maintenance purposes and to assure the availability of needed services, notably medical and allied care. Based on the general principle of insurance, to wit: the pooling

[1] International Labor Office, "Social Security—A Worker's Education Manual," Geneva, 1958, first lesson.

of resources with a view to leveling risks among large numbers of participants, as well as over extended periods of time, it shares with other forms of insurance certain characteristic features. Among these are long-range financial planning with emphasis on contributory financing and, related thereto, stated conditions for the receipt of benefits as a matter of *earned* right, much as a participant in a commercial or mutual insurance program has a legal right to the insurance paid for if and when the insured event materializes.

As instruments of public policy, social insurance programs put presumptive general needs and the realization of other broad-gaged socioeconomic objectives ahead of individual equity considerations where these may conflict. This is readily apparent from the preferential treatment which is usually given to lower-income earners, to beneficiaries with families, and so forth. Nevertheless, their basic insurance character imposes certain constraints on programs of this kind which limit their adaptability to the exigences of social policy.

1. FREQUENT SHORTCOMINGS OF THE SOCIAL INSURANCE METHOD

a. Less than universal coverage.—One such limitation is the difficulty of achieving truly universal coverage of all persons exposed to the risks referred to. This follows from the common requirement of a person's substantial and extended participation in the labor force as a condition of his entitlement to benefits.

b. Inadequacy of benefits.—Another difficulty is to assure the adequacy of benefits in all cases—even according to minimum criteria of acceptability. This may be due to either one of two circumstances. One is the frequent occurrence of illness and unemployment which lowers the earnings creditable for benefit purposes. The other, even more serious, situation that may give rise to inadequate benefits, despite a reasonably continuous work history of the claimant, is that of the marginal worker whose earnings have been consistently very low. In these instances, where income from work is barely enough to meet minimum needs in the first place, the substitute income provided by social insurance which is usually designed to meet only a fraction of normal earnings is bound to be inadequate.

The same problem of the inadequacy of benefits presents itself, even at sustained higher earnings levels, when insurance benefits designed to meet the *presumptive* needs of the *average* person or family must be stretched to meet *above-average* needs. Such needs may arise chiefly from severe and prolonged illness of the beneficiary or because of an unduly large number of family members continuing to depend on him.

c. Erosion of benefits and loss of status.—Yet another difficulty encountered in many social insurances, notably those financed exclusively from insured persons' and their employers' contributions and without government subsidy, is the phenomenon of back-sliding. The problem presents itself in one or both of the following two variations: (1) a loss in the real value of benefits (in terms of their purchasing power or their cost-of-living relationship) due to a general rise in the prices of consumer goods (as evidenced by reference to the Consumer Price Index), and (2) a relative decline in the socioeconomic position of those retired and of other social insurance beneficiaries vis-a-vis the bulk of the economically active population. This phenomenon is even more widely observable than the first, due to the sustained climb in real wages and levels of living over the past several decades. Where gains in economic productivity cause current earnings of employed and self-employed persons to rise faster than price levels, those no longer economically active—even if their substitute incomes do keep up with price changes—are bound to fall increasingly behind.

2. POSSIBLE WAYS OF MEETING THESE SHORTCOMINGS

To cope more fully with acknowledged socioeconomic needs, a number of remedial or alternative measures have been developed and tested.

a. Coverage extension devices.—One method used repeatedly in this country and elsewhere to bring under the protective umbrella of social insurance older workers who, presumably, did not have sufficient opportunity to acquire substantial wage credits during their working lives is to lower coverage requirements for certain designated categories, thus "covering in" initially uncovered groups. The limitations of this method are effectively illustrated in the most recent of a long series of "blanketing-in" measures adopted in the United States with respect to old-age insurance coverage for the oldest age cohorts among those previously left out. On the one hand, entitlement to benefits continues to be tied to the fulfillment of the "quarters of coverage" (that is at least minimum earnings in covered employment) requirement—albeit of only three such quarters. On the other hand, the scale of benefits to which these categories of beneficiaries have become entitled is severely reduced, roughly corresponding to the lowered eligibility conditions.

Thus, some aged persons, namely those who cannot meet even the new minimum coverage requirements, continue to remain uncovered. And for those who were effectively "blanketed-in" by this legislative amendment, the size of benefits cannot purport to meet presumptive needs, even in the absence of any aggravating circumstances. Moreover, the rationale of this type of coverage extension is self-limiting in that any widely inclusive program approaching maturity (that is, having been in operation the full length of the average person's working life) will have extended the opportunity for participation to virtually all one-time members of the labor force still living. Still left out will be those with merely marginal paid employment or not in paid employment or self-employment at all, such as certain handicapped persons, widowed or divorced housewives, and others.

An alternative approach that transcends this limitation is to make coverage compulsory for all residents of working age, whether or not they are or ever have been either in paid employment or gainfully self-employed. This method has been adopted in a number of national social insurance systems, for example, those of the Netherlands and of Switzerland. Obviously, this technique does make it possible to achieve universal coverage in that it drops the prerequisite of substantial and recent or, in fact, any paid work on the part of the insured.

Philosophically, these schemes can be viewed as broadening the rationale of the "earned-right-to-benefit" concept in that they put unpaid (family) employment on a par with paid work; at the same time they abandon the "deferred-earnings" character of social insurance benefits in respect of those beneficiaries who are neither paid nor unpaid workers. As regards the mode of financing, the conventional insurance mechanism can be said to operate to the extent that the money needed to meet the extra cost is derived from government contributions on behalf and in lieu of those exempt from contributing (the low-income persons in the Netherlands scheme). It undergoes further modification with government assuming a more substantial part of the cost in the form of regular subsidization from income tax and other general revenue sources, either to meet any deficits (Netherlands), or to defray a stated percentage of total costs on a regular basis (Switzerland).

b. Entitlement and benefit protective measures.—The search for ways of assuring and protecting eligibility for benefits, notably (although not exclusively) at the lowest earnings levels where it is most in jeopardy, has produced several techniques that have become standard features of many social insurance programs.

(1) Waiver of contributions with preservation of benefit rights.

One such device already referred to is the exemption of the lowest income earners from the burden of their own share of contributions and assumption thereof by the government. More common are provisions whereby persons employed but not at work due to an accident or illness and those temporarily unemployed are excused from paying contributions without forfeiting contribution credits for the period of their temporary absence from work. This is done, for example, in the United Kingdom, and is a safeguard against possible lapse of entitlement to retirement and certain other social insurance benefits.

In countries with a national health insurance program (rather than a National Health Service, as it exists in Great Britain, where every resident is entitled to care without reference to payment of contributions), the principal function of the excusal from payment of contributions is to preserve for the work-disabled sick and the unemployed their entitlement to insured medical care.

(2) Retirement protection in case of work accident, other disablement or inability to find work.

Lacking or inadequate retirement protection may be due to imperfect coordination between different branches of a given social insurance system, or to the underdevelopment of one or more of these branches. The former situation is typified where a surviving but partly disabled work accident victim forfeits some or all of his retirement protection by reason of his inability or lowered ability to work or to find work and pay contributions. This gap in protection is plugged in several national systems, for example that of Austria, by waiving the otherwise required length of coverage and contributions stipulations for entitlement to benefit.

The second type of gap in effective retirement protection referred to above is encountered when persons with a partial disability from whatever source or persons who, though not disabled, are or appear prematurely aged, cannot find remunerative work. Both types of contingency are provided for in the more advanced social insurance systems. Disability benefits for partial (one-half or two-thirds) loss of earning capacity to work are paid in Belgium, Czechoslovakia, Denmark, France, Germany, Greece, Italy, and other nations' social insurance programs. In Japan, workers with substantial retirement credits may qualify for their old-age pension regardless of age 3 years after they sustain an injury or illness that leaves them with a serious disability.

In the event of prolonged unemployment, too, some countries grant the right to full retirement benefits at an earlier than the regular retirement age. Austria and Germany, for example, make retirement pensions available 5 years early (for example, at age 60 for men and 55 for women) to persons who have been unemployed for a year. Austria grants such early retirement pensions also without stipulation as to length of unemployment to persons aged at least 60 and 55 years respectively and not currently working who have been insured for a very long time (35 years), pending resumption of gainful work or attainment of regular retirement age.

(3) Technical and conceptual modifications of benefit-earnings relationship.

Since cash benefits under old-age retirement programs are regarded as a substitute for regular work income, their adequacy depends on the one hand on how the tie-in to past earnings is accomplished, and—for those pensioners willing and able to work and to find remunerative work—on whether and to what extent such gainful employment disqualifies them from benefits.

On the first count, the technique of averaging past earnings over long and distant periods is giving way, increasingly, to measures less fraught with a downward bias. The newer gages reflect what are presumed to be the beneficiary's highest earnings years, typically the most recent years: for example, in France the last 10, in Chile and Hungary the last five, in Austria the last five or those between ages 45 to 50. Italy, in 1968, amended its old-age, invalidity and survivors' insurance program so as to compute benefits on average earnings for the last 3 years. Another factor that enters into the computation is the length of time the beneficiary worked in covered employment. This usually determines what percentage of average earnings the benefit amount will be. After a full working life of insurance coverage (40 years), the new Italian benefit formula provides for 65 percent of past average earnings, as defined. This ratio is slated to go up gradually to 80 percent. Such high ratios are not uncommon in other continental European countries. Moreover, in order that pensioners may be able to afford seasonal vacations or recreation, extra monthly pensions are paid in some of these countries, once a year (for example in Italy) or twice (in Austria)—corresponding to holiday bonuses payable to active workers.

On the second count, that is, with regard to pensioners' earnings from current work, several national social insurance systems permit retention in full of both the pension and the work income (for example, France, the German Federal Republic, Ireland, Luxembourg, the Netherlands, Rumania, Switzerland, Uruguay), while others reduce the pension by no more than a fraction (in Italy, an appeal has been taken to the constitutional court against a recent economy measure abolishing for old-age pensioners—but not for invalidity pensioners—a provision whereby pension benefits can be reduced by no more than one-third on account of concurrent earnings.)

c. Minimum income guaranties.—The predicament of old-age pensions too low to meet essential needs, despite built-in weighting of benefit scales in favor of low-income earners under most social insurance programs, has given rise to secondary income supports. While these must be regarded as supplementary measures, rather than part and parcel of the respective social insurance schemes proper, there is clearly discernible an ever more pronounced effort on the part of some governments to wipe out any invidious distinction between the different programs by assimulating the supplementary benefits to the social insurance benefits. This has been sought to be achieved especially by endowing such benefits with the character of a right, dependent only on the fulfillment of certain stated (mostly statutory) conditions, and by minimizing the degree of discretionary authority involved in determining eligibility and making the award.

Among the earlier attempts of providing a minimum income, the French pattern continues in effect in France and in several countries outside of Europe that follow its lead. France itself came to establish minimum benefits on the premise that no contributory old-age insurance benefit ought to fall below the amount of the allowance that was payable to those retired persons who had formerly been wage earners but who have not established sufficient credits to be eligible for insurance benefits and whose income is below certain specific amounts. This is achieved by reference to a national minimum wage standard (*salaire minimum interprofessionnel*) which serves as the lowest base for benefit determination purposes. In addition, the French have established a so-called "National Solidarity Fund," financed from general revenues, out of which supplemental benefits are paid to all social insurance beneficiaries whose regular social insurance benefits fall below stated amounts.

The United Kingdom, more recently, has moved toward a virtual merger of its social insurance and its noncontributory cash benefit programs. This changeover in Britain is perhaps as remarkable in the way in which it came about as it appears to be effective in producing results. Originating from a "deep concern" over the failure of many needy aged, believed to number in the hundreds of thousands, to apply for allowances under the National Assistance Act then in effect and an open letter by the then Minister of Social Security dated July 12, 1965, soliciting applications for such "financial help given as of right, and I stress 'as of right,' to those whose income is below certain standards"—which proved to be of little avail, the Government proposed and the Parliament enacted in 1966 a "New Supplementary Benefits Scheme" to take the place of the former National Assistance program. The avowed aim was to end "the sharp distinction which now exists in the administration of contributory and means-tested benefit" and to "provide a form of guaranteed income for those who require such a benefit over a long period." [2]

The new "supplementary pensions for people over pension age" are payable to men over 65 and women over 60 not in full-time work (comparable "supplementary allowances" are payable to those of younger age). Incomes below the guaranteed amount are supplemented up to the guaranteed level, with extra allowances for rent, usually in the full amount thereof, a standard allowance for incidental expenses, and lump-sum payments for exceptional requirements. Applications, referred to as "claims," are made in writing; interviews are held at the claimant's option either in his home or at a local office. Supplementary pension benefits are paid together with the (contributory, social insurance) retirement pensions on one order book cashable at the Post Office. Awards are made by a Supplementary Benefits Commission within the Ministry of Social Security. Its decisions may be

[2] Ministry of Social Security Bill 1966, Explanatory Memorandum by the Minister. Queen's Printer, London, May 1966. Cmnd. 2997.

appealed by claimants dissatisfied as to benefit award or any condition attaching thereto, or as to amount, to an independent appeal tribunal. Awards to people over pension age are expected to be renewed annually unless their circumstances change significantly during the year.

It is noteworthy that during the first (part-) year of operations under the new plan, the Ministry certified 300,000 new aged beneficiaries out of a larger number of new applicants.[3] Since the financial improvements over the former National Assistance benefits are relatively modest, most of this increase must be ascribed to the new approach, notably the more businesslike award procedures and the unobtrusiveness of the payment.

d. Provisions and programs helping to stabilize the family budget.—Even where benefit amounts do meet average requirements at acceptable minimum levels, and even for beneficiaries drawing higher than minimum pensions, the adequacy of the cash benefit may be in jeopardy by virtue of above-average needs.

(1) Regularizing allowances for special needs.

Where exceptional, and especially short-term, conditions cause such a typical financial straits, subsidiary help quite commonly has been made available in most advanced countries on proof of need in each individual case. Though of necessity involving an element of official discretion, such financial assistance over and above the (guaranteed) minima can be freed from the vicissitudes of local finance by open-ended national funding (as, for example, in Britain).

The occurrence of this, nevertheless precarious, situation can be avoided or at least reduced in those instances where the above-average need is due to causes that present themselves with sufficient frequency so as not to be considered out of the ordinary. Under the new British "Supplementary Benefit Scheme," such frequent and recurrent special needs as requirements for particular diets or extra fuel are lumped together as "long-term additions" to a standard amount. Individual determination can thus be limited to those instances where special needs are in excess of that amount.

(2) Prepayment arrangements for health care.

Far-reaching provisions of this generalized type have been made in virtually all the leading industrialized nations, and many others, with regard to the single potentially most serious threat of an intermittent nature or of uneven incidence to the stability of the family budget—notably among the aged—that of ill health. To obviate its unbalancing effect on family finances, most fully developed social insurance programs provide comprehensive protection through insured medical care not only to the economically active persons of all ages and their dependents (frequently at reduced rates for those continuing to work past retirement age—namely, in France), but they also extend the same protection free of any contribution by the insured to those retired (and to those unemployed). This is the case, for example, in all of the countries of the European Common Market (Belgium, France, Germany, Italy, Luxembourg, and the Netherlands). The duration of the entitlement to insured medical care is unlimited in five of these countries (all but Italy) and to insured hospital care in two (Belgium and France). The insured is not liable for any coinsurance or "deducti-

[3] Ministry of Social Security, Annual Report, 1966, London. Queen's Printer, July 1967. Comnd. 3338, p. 50 ff.

bles" in Germany, Italy and the Netherlands, while the coinsurance ranging up to one-fourth of doctors' charges in the other three countries is subject to certain reductions for pensioners.

The most comprehensive and also most universal health protection—for the aged, as well as for all other residents—is, of course, that currently available in the United Kingdom under that country's National Health Service. Funded for the most part from general revenues and to a lesser extent from contributions by and for those covered, the NHS makes available all medical and allied services and facilities free of any direct costs, except minor service fees for selected services, such as prescriptions, and very low charges levied for eyeglasses, dental treatment and dentures, medical and surgical appliances (prostheses), etc. Hospitalization for any condition, including psychiatric, is free of charge.

Aside from its mode of financing, the absence of any eligibility conditions and of any limitation on services or accommodations judged medically indicated, one further characteristic that distinguished the NHS from most health insurance programs is the emphasis on preventive as well as curative care.

(3) Provisions to keep housing costs in line with income.

Unlike the need for health care which may impose unduly heavy burdens at times (although the average burden is heavier for the aged than for the population as a whole in any event)—unless the incidence is leveled and the cost relieved by social insurance or other measures—the need for housing is ever-present. Though it tends to be lower for lesser cost may take a bite out of the reduced incomes of pensioners which is unduly high.

Therefore, many countries pursue a policy of enabling pensioners (as well as certain other population groups, such as families with children, and low-income households generally) to obtain housing at prices below market rates. The aim of these policies is to stabilize housing costs for these groups or keep them to a stated fraction of income, while making sure that access to such lower cost housing will not have been gained at the expense of the quality of housing thus made accessible.

Policies of this type are common in the Norse countries and in other parts of Europe. Denmark may serve as example. In addition to fostering general housing programs through various government aids, such as low-cost loans or loan guaranties to cooperative and other builders, tax exemptions for 20 years and more, and subsidies to apartment house owners to enable them to charge lower rents, Denmark has taken special measures to reduce housing costs to old-age and disablement pensioners. These, for the most part, take the form of direct subventions so calculated as to keep pensioners' housing costs to about one-sixth of their pension. Such costs are, of course, considerably below those prevailing on the housing market. This current policy has taken the place of an earlier one aimed especially at enabling local authorities to build special housing projects for the aged. One major reason for the policy shift was the desire to avoid in future that certain accommodations would be readily recognizable as belonging to special groups.

Under the West German housing aid program, families with incomes below stated amounts (the larger the bigger the family) receive housing subsidies whereby housing expenses are kept below a percentage of total family income ranging from 24 percent downward to 7 percent. Such housing subsidies are used as a leverage for minimum housing standards in that the aid is denied in support of condemned, dilapidated and otherwise inadequate housing.

(4) Extended help with dependent children.

Few persons of retirement age have to care for small children of their own. However, their grown children may still be engaged in advanced education or training and, for this reason, may not be fully self-supporting. Also, pensioners may have charge, for a variety of reasons, of some of their grandchildren.

In either event, the availability of children's allowances is important. Programs granting specified sums to the parents or other persons in charge of children up to a stated age as a matter of right are in effect in all European countries, Canada, and many more. Under the provisions of some of these programs, payment of the allowance is kept up in respect of children continuing to pursue their education or training for a gainful occupation up to age 27 (Netherlands), 26 (Italy), 25 (German Federal Republic and Luxembourg) and to age 20 or over in several more.

e. Safeguards against erosion of benefits, and parity levers.—Any reduction in the real value of benefits may become a serious threat to the well-being of large numbers of social insurance beneficiaries—the majority of those deriving all or most of their current income from this source. Even with stable benefits (in terms of purchasing power), such beneficiaries may find themselves losing ground in terms of levels of living vis-a-vis their active counterparts from the very moment they first receive their pension. The first-named danger has materialized repeatedly in the wake of general consumer price increases accompanying monetary depreciation by declared or undeclared (creeping) inflation. The latter hazard, too, has been experienced even more commonly as past earnings taken into account for benefit purposes nearly always fail to represent fully contemporary earnings levels and reflect very inadequately any long-term growth in real earnings.

(1) Planned adjustment techniques.

Long experience with adjustment of benefits *ad hoc*, that is, whenever their loss in value has become serious enough to warrant an upward change in the opinion of the lawmakers—though far better than no adjustment at all—has brought home certain shortcomings. Unless such increases are made retroactive, which is not always practical, or else exceed the rate of devaluation of benefits that has taken place ("leapfrogging" technique), the pensioners are left to absorb permanently at least some part of the intervening loss. Legislative mandates to review the situation within certain intervals (for example, every 5 years, as in the general pension programs in Japan, Switzerland, and the United Kingdom) has done little to remove either timelag or uncertainty of the adjustment.

It is with a view to minimizing both of these drawbacks, that a number of countries have established programed adjustment techniques. These involve systematic trigger devices and either semiautomatic or automatic escalation mechanisms signaling any significant change in the real value of benefits and leading to a prompt adjustment respectively. This is accomplished by some form of index linking, that is, the designation of some economic indicator (usually a price or wage index) with the stipulation that certain specified point changes should give rise to a change in benefits all across the board. In some instances such changes take effect *automatically*, that is, without any further action by the legislature (for example, in Belgium, Chile, France, Israel, the Netherlands, Sweden, and in the United States, the civil service retirement and Armed Forces retirement systems). In other countries (for example, Austria and West Germany) legislative approval *is* required (*semiautomatic adjustment*).

One type of indicator used frequently is some official price index, with a specificaton of the minimum change and duration necessary to set the adjustment process in motion (for example, in Belgium, a 2.75-percentage-point change in the retail price index sustained over a period of 2 months; in the U.S. civil service retirement system a 3-point change in the Consumer Price Index sustained over at least 3 consecutive months). Alternatively, a wage index is used with similar thresholds for the triggering action (for example, in the Netherlands, a 3-percentage-point change sustained for 6 consecutive months). France and Sweden dispense with one of the two criteria. In France the adjustment is made every year once, on a given date, to reflect whatever percentage change is indicated by the movement in covered earnings. In Sweden an adjustment is made in any month in which the official cost-of-living index registers a change of 3 percentage points from the reading at time of last adjustment.[4]

(2) Levers of socioeconomic parity.

"Parity"—in the sense of a person's socioeconomic status or attainment—may suffer an impairment at or after retirement despite the maintenance or restoration of the benefit's constant purchasing power. If this happens, the retirement system falls short of what might be called "dynamic stability." To prevent this, the system's performance must be geared to flexible benchmarks that reflect the changing standards of well-being in the particular society.

To some extent such a dynamic tie-in with changing levels of living is achieved by recurrent adjustment of benefits in light of changes in wage levels. The dynamic quality of this adjustment is reduced, however, insofar as the wage base used for benefit calculation and the wages used for the calculation of change are restrictively defined.

One method of calculating retirement credits which comes very close to achieving the desired parity leverage is that used in the Swedish supplementary (employment-related) pension program. Under this program, retirement credits for each year of covered employment are expressed not in dollar terms but in "pension points." The value of each point may vary from year to year, depending on the "base amount" (that is, the minimum taxable and creditable earnings—an amount which varies with the cost-of-living index, see above). Each person covered under the program is given the number of pension points that reflect his earnings relative to the "base amount." The

[4] For more details, see Proceedings of the Sixth International Congress for Labor Law and Social Security (Stockholm, 1966). Almquist & Wiksell, Stockholm, 1968, vol. I, General Reports, agenda item I, "Legal Aspects of the Calculation of Social Security (Social Insurance) Benefits, in Particular as Regards Changes in the Cost of Living and the Level of Wages," pp. 46–67.

parity leverage is limited by the maximum taxable and creditable earnings limit which is 7½ times the base amount. It ceases to operate altogether from the award of benefits, after which time adjustments in benefit amount are made only with reference to changes in the cost of living rather than earnings levels.[5]

Methods very similar to the Swedish one are used in the West German general pension scheme and, within certain financial and other constraints, in some of France's special (supplementary) pension programs for persons in public and private employment.[6]

B. Social Assistance—A Right To Benefit, but Conditional on Proof of Need

In countries where social assistance constitutes the first line of defense against the common contingencies, its aim is to provide benefits broadly comparable to those furnished under first-line programs of social insurance to any and all residents for whom the contingency in question (old-age retirement, invalidity, and so forth) has materialized and whose incomes or means fall below certain stated amounts.

1. PROGRAM CHARACTERISTICS AND APPLICATIONS

Like social insurance, social assistance programs are so conceived as to give rise to a legal entitlement. In contrast to social insurance, however, this right is in no way related to specific contributions or taxes paid by, or on behalf of, the claimant in past periods. As in older forms of public assistance, a proof of need is stipulated in each case. Unlike these older versions of "public aid", "relief" or "assistance", however, the social assistance method reduces to a minimum the extent of administrative discretion by local (or national) officials and, by also making it independent of the fortuities of local financial conditions, seeks to free the entitlement to benefit from the uncertainties commonly associated with other public assistance programs.

Social assistance benefits are intended to be devoid of any taint of charity. Consequently, the test of means or need conforms, as much as possible, to objective and uniform criteria pertaining to the applicant's situation, without regard to that of other family members except the spouse. Even though eligibility depends on individual need, shortcuts are used by resorting to standard measures where this can be done with impunity.

One national program of old-age security that rests squarely on social-assistance principles is that of Australia. There, all men 65 or over, and women age 60 and up, of limited incomes and means who have resided in the country continuously 10 years or longer are eligible for a flat-rate pension (or for a reduced pension if either their income or property exceeds certain limits). The effect is to guarantee them a minimum income either from the pension alone or from other sources combined with a pension.

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[5] For more details see *op. cit.*, National Reports: Sweden (4).

[6] For more detail see *op. cit.*, *ibid.* France (III) and vol. I, pp. 57–58, and Paul Fisher, "Old-Age and Sickness Insurance in West Germany in 1965." U.S. Government Printing Office, Washington, D.C., 1966, pp. 6–9 and 13–21. The West German system of benefit adjustment after retirement is geared to wage levels. However, index-linked adjustment is not automatic but depends on legislative approval and is subject to modification in each instance.

A similar system is in effect in New Zealand for aged persons 60 or over (age 55 for unmarried women unable to work) and resident for the 10 years preceding. In New Zealand, however, this program is overlaid by a universal old-age pension program (see below), whereby attainment of age 65 and fulfillment of the same residence requirement gives rise to an unconditional right to a flat pension equivalent to the maximum amount payable under the social assistance (pension) program.

2. CONDITIONING FACTORS

In attempting to assess the potential role of the social assistance method as an income guaranty for old-age security, one must have regard not only to the program design but also to the setting in which it operates. Thus it would appear that in Australia, where this approach has a long history as the sole means of providing old-age security (as well as financial protection in the event of invalidity, survivorship and unemployment) the means-test approach is widely accepted.[7]

In Britain, by contrast, where National Assistance (a program of social assistance) was widely used after the war to supplement social insurance benefits, the memory of antecedent programs descended from the "Poor Law" and of the "less-eligibility" that stigmatized their beneficiaries appears never to have vanished completely.[8]

Thus, social assistance has not everywhere gained acceptance on a par with that accorded to social insurance. There is, no doubt, a common aversion on the part of any group of people—but perhaps especially the aged—to see themselves singled out as "in need" of benefits, especially when comparable benefits are available unconditionally to others.

Nevertheless, a comprehensive social assistance scheme does afford the certainty of benefit once need is shown and can thus play an immensely valuable role as a "last line of defense" in assuring a modicum of security to those aged (and all others) who for one reason or another fall through the mesh of social insurance or those—hopefully exceptional cases—who require supplementation of their social insurance benefits.

C. Universal Pensions—An Unconditional Minimum Income Guarantee Upon Attainment of Age

The universal old-age pensions approach seeks to free the right to benefit from any and all qualifying conditions other than proof of age and verification that the claimant has been a longtime resident. (In some countries where the residence requirement is relatively short, he must be a citizen; for example, in Denmark, Iceland.) Where social assistance confines eligibility for benefits to those who prove actual need, and social insurance usually ties payment of benefits to presumptive need (as in the case where an aged person is substantially retired from work), the universal pension approach simply extends the presumption of need to all those who have attained the age of eligibility. (Several social insurance programs do the same when the

[7] Not only is there no hesitancy to resort to the program, there is pressure from the taxpayers to liberalize the means test so as to allow larger numbers of them to take advantage of it. See T. H. Kewley, "Social Security in Australia: The Development of Social Security and Health Benefits from 1900 to the Present." Sydney, Sydney University Press, 1965, pp. 293–301.

[8] See above, Sec. A, c.

pensioner reaches some higher age.) Thus, eligibility for a universal pension benefit presupposes neither the cessation of gainful employment nor proof of insufficient income.

1. PROGRAM CHARACTERISTICS AND APPLICATIONS

The universal old-age pension is one of several types of "demogrant", that is, an across-the-board categorical subsidy. (Children's or family allowances and general maternity grants are other examples.) These programs constitute a counterpart, in the area of cash benefits, to the general public service schemes (that is, the British National Health Service, referred to above) in the area of service benefits. In some countries universal pension programs have evolved from or have succeeded to social assistance schemes (that is, in Norway and, most recently, Canada.)

Universal pension benefits normally constitute flat amounts per aged person (Canada) or couple (New Zealand), or a flat amount with supplement for the wife (Norway) or for the wife and child (Sweden).

The age of eligibility is frequently higher than under most social insurance and social assistance schemes, for example, age 70 in Norway, age 67 in Denmark (but 62 for women), Iceland and Sweden. Canada used to start payment of universal old-age pensions at age 70 but would, on proof of need, pay social assistance benefits from age 65. With the adoption of an earnings-related old-age insurance pension in 1965, and the phasing out of the social assistance program, the eligibility age for the universal pension has been lowered annually so as to attain age 65 in 1970.

Several universal pension schemes are linked to a cost-of-living (or similar) index whereby benefits are adjusted, usually automatically, to price changes (for example, in Canada, Denmark, Finland, Iceland, Sweden). Thus an effort is made to keep the guaranteed income adequate for minimum needs. (In Canada a transitional income-tested supplement is to achieve this goal until the new earnings-related pension can do it.)

2. UNIVERSAL PENSIONS WITHIN THE CONTEXT OF THE SOCIAL SECURITY FABRIC

From the aged person's point of view, unconditional entitlement on attainment of age may well be the most desirable form of old-age security. In terms of the level and adequacy of this unconditional guarantee, however, overall financial considerations are likely to have a bearing. Clearly, total costs of such a program are bound to be higher than if those with substantial earnings were disqualified from benefits (as under most social insurances), and much higher than under an income-tested benefit scheme.

Universal pension amounts may, and frequently do, compare favorably with minimum and, sometimes, average social insurance benefits; also with social assistance benefits. They are not likely to attain the upper ranges of the benefit scale which are provided for in income-related social insurance schemes. Moreover, some countries require that, where benefits from other noncontributory (that is, tax-financed) programs are also available, the person entitled to both benefits be given a choice whereby he may pick the higher but must forgo the other benefit (New Zealand) or that the other benefit be reduced (Norway). Increasingly, however, countries with a flat-benefit universal pension scheme have superimposed upon it a graduated, income-related contributory (social-insurance type) pension program (Canada, Norway, Sweden), with the explicit aim of providing better than minimum retirement standards by means of cumulating benefits from both programs.

III. FURTHER ALTERNATIVES, WITH SPECIAL REFERENCE TO THE OLDER WORKER

It would be neither justified nor realistic to gage by the familiar adage "the past is merely prologue" the considerable array of measures developed to date and applied in different countries to the end of assuring the essentials of life in the common contingencies, including (but not confined to) old age. On the other hand, the search for new and possibly better ways of achieving legitimate socioeconomic objectives must never cease.

Among some of the many current proposals for new approaches, at least two would appear to have a special relevance for the older worker: one is the possible (indirect) subsidization of low-wage earners, the other the much debated all-inclusive minimum income guaranty. Generally speaking, older persons have already made most of their contributions to the common weal, and the moral or economic expectation that they engage in gainful employment applies much less to them than to any other group of working age, except the disabled. Any true choice between continued work and retirement can be said to present itself, however, only when both opportunities are in fact given the older worker to permit him the exercise of his or her choice free from one-sided constraints. Thus, while the older person approaching—though not having attained—retirement age (sometimes referred to as the "prematurely-aged person") should not necessarily be expected to work, by the same token, society should not deny the opportunity for gainful employment to those among them who are able to work and who desire to do so. On either count, it would seem, a reasonable case can be made for the inclusion of such older workers, say those aged 55 and up, among the very first segments of society to whom minimum income guarantees and in respect of whom employment or wage subsidies are to be extended *simultaneously;* the latter because of the known difficulties many older workers experience in obtaining employment, the former because of the virtual absence of a "moral hazard" (since any possible work dis-incentive effect is not too relevant in their case).

To allay possible fears of the effect of this on full employment or wage levels, the subsidy might be made subject to automatic suspension whenever unemployment rises and remains for a stated period above a stated percentage. At such times older workers might be pushed out of the labor market to the advantage of the younger members of the work force, but without serious hardship to themselves as they would be eligible for the GMI.

If the interest of society requires both maximum participation in the labor force and economic security for those not working, this combination of work-incentive and economic-security measures could be applied to no other group with more social justice, or at a lesser economic risk.

Appendix 2

Subsequent to the hearing, Senator Williams, in a letter to the Social Security Administration, requested additional information on social security programs throughout the world. The following reply was received:

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
SOCIAL SECURITY ADMINISTRATION,
Washington, D.C., October 3, 1969.

DEAR SENATOR WILLIAMS: I am glad to send the new material on certain social security programs in other countries which you requested for the proposed publication of the Senate Special Committee on Aging. I hope it meets your needs for the document, "International Perspectives on the Economics of Aging."

Such updating of provisions in other nations' systems sometimes moves very slowly as you can imagine. Fortunately we have done the work for the 1969 revision of *Social Security Programs Throughout the World,* which is almost ready for publication. The revised material enclosed, covering the programs you identified in specified countries, is from an advance draft of the book.

Lenore Bixby of our staff was happy to participate with the illustrious social security experts you assembled from other nations for the special public hearing August 25. Please let me know at any time if we can be of further assistance.

Sincerely yours,

IDA C. MERRIAM,
Assistant Commissioner for Research and Statistics.

[Enclosure]

DENMARK

DATES OF BASIC LAWS AND TYPES OF PROGRAMS

OLD AGE, INVALIDITY, DEATH

First law: 1891.

Current laws: 1959 (widow's pensions), 1960 (national and invalidity pensions), and 1964 (supplementary pensions).

Multiple assistance, universal, and social insurance systems: (1 crown equals 14.5 U.S. cents).

Coverage

Assistance and universal pensions: Resident citizens and aliens covered by reciprocity agreements.

Supplementary pensions: Employees, except certain part-time employees and apprentices.

Special system for public employees.

Source of Funds

Insured person: For national old-age and invalidity pensions, approximately 3.0% of income subject to income tax payable by all taxpayers except low-income persons. For supplementary pensions, 1.80 crowns a week.

Employer: For invalidity pensions, 21.00 crowns per employee a year. For supplementary pensions, 3.60 crowns per employee a week.

Government: About 5/6 of cost of assistance and universal pensions borne by national and local governments. No contribution for supplementary pensions.

Qualifying Conditions

Old-age pension: National pension, age 67 (men and minimum pension), 62 (women), or 60 (failing health or special circumstances): residence during last year; citizenship; other income below specified limits (except minimum pension). (No income test after April 1970) Supplementary pension, age 67; 5 years of contribution (1–4 years until 1969); retirement unnecessary.

Invalidity pension: Loss of ½ of earning capacity in suitable work. Residence during last year. Citizenship. Other income below specified limits.

Widows' pensions: National pension, age 55, or 45 and 2 children in care; residence during last year; citizenship; and other income below specified limits. Supplementary pension, age 62; and 10 years of contribution by husband, or was pensioner.

Cash Benefits for Insured Workers (except permanent disability)

National old age pension: Up to 587 crowns a month (No income test after April, 1970).

Supplements: Pension supplement (according to other income), 95 crowns a month and payment of health insurance contributions; if age 80, 8.25% of basic pension; spouse, 75 crowns a month (wife age 62 or invalid, 50% of basic pension); each child, 165 crowns a month if under 15 (18 if student); 10% increase if pension deferred 2 years, or 15% if 5 years.

Minimum pension (if income bars more): 6.7% of average wages, 10% for couple; now 143 and 215 crowns a month.

Automatic adjustment of pensions each 6 months for 3% changes in price index.

Supplementary old age pension: 60 crowns a year times years of contribution (if covered in 1965, 600 crowns for 1st year, 24 crowns each for 2nd–6th, 60 crowns each 7th–20th, 120 crowns each 21st–27th).

Maximum: 2,400 crowns a year after 40 years, or 27 years if covered in 1965. 5% increment per half-year deferral of pension until age 70.

Permanent Disability and Medical Benefits for Insured Workers

Invalidity pension: Full pension consists of basic pension (income test, up to 587 crowns a month) plus disability plus unemployability supplements (each equal to ½ basic pension, no income test); medium pension (if ⅔ disabled), basic plus disability rates; minimum pension (if ½ disabled), ½ basic plus ½ disability rates.

Supplements (for maximum and medium pensions): pension supplement (according to other income), 95 crowns a month and payment of health insurance contributions; spouse, 75 crowns a month (wife age 62 or invalid, 50% of basic pension); each child, 165 crowns a month if under 15 (18 if student) (½ this amount with minimum pension).

Outside assistance allowance, ½ basic pension; constant attendance allowance, full basic pension (both no income test).

Automatic adjustment of pensions each 6 months for 3% changes in price index.

Survivor Benefits and Medical Benefits for Dependents

Widow's pension (after income test): Basic pension of up to 587 crowns a month, plus supplement of 95 crowns, according to other income. Payable to women widowed after age 55, or age 45 with 2 children.

Child's supplement: 165 crowns per child under 15 (18 if student).

Automatic adjustment of pensions each 6 months for 3% changes in price index.

Supplementary widow's pension: 50% of supplementary old-age pension paid or payable to deceased.

Funeral grant: Lump sum of 850 crowns (provided under sickness insurance).

Administrative Organization

Assistance and universal pensions: Ministry of Social Affairs, general supervision and national administration.

Local communal governments, local administration of pensions, including receipt of claims and award and payment of pensions. National invalidity insurance court decides whether invalidity exists.

Supplementary pensions: Ministry of Labor, general supervision.

Labor Market Supplementary Pensions Institution, administration of program. Managed by employee-employer assembly and board with elected chairman and director appointed by board.

FRANCE

Dates of Basic Laws and Types of Programs

OLD AGE, INVALIDITY, DEATH

First law: 1910.

Current laws: 1945, 1967.

Social insurance system (1 franc equals 20.3 U.S. cents)

Coverage

Nonagricultural employees (general system covering about 70% of employed persons).

Special systems for agricultural employees, miners, railroad employees, seamen, public utility employees, nonagricultural self-employed, and agricultural self-employed.

Source of Funds

Insured person: 6.5% of earnings.

Employer: 17% of payroll up to 1,360 francs a month. (For earnings over 1,360 francs a month, insured person pays 1% and employer 2% toward sickness insurance).

Government: Provides funds for various special purposes, including solidarity fund and agricultural, student, and other programs. Total: About 10–15% of benefits.

Above contributions also finance sickness and maternity benefits.

Qualifying Conditions

Old-age pension: Age 60. 30 years of insurance or 15–29 years for reduced pension (if 5–14 years, 50% of contributions paid as annuity at 65; if 1–4 years, contributions refunded at 65). Retirement unnecessary. Pensions not paid aliens while abroad, unless reciprocal agreement.

Invalidity pension: Loss of all working capacity (total invalidity), or ⅔ of earning capacity (partial invalidity), in any occupation. Entry into insurance 12 months before incapacity, and 800 hours of employment in last 12 months, including 200 hours in first 3 months.

Survivor pensions: Deceased met insurance requirements for old-age or invalidity pension, or was pensioner, at death.

Income test for special allowance: 4,000 francs a year for single pensioner; 6,000 francs for couple.

Cash Benefits for Insured Workers

Old-age pension: 20% of average earnings in last 30 years, or 40% if unfit for work or in arduous work (past earnings revalued for wage changes).

Increment of 4% of earnings per year pension deferred after 60 (i.e., 40% of earnings payable at 65, 60% at 70).

Reduced pension: 1/30 of full pension times years of insurance.

Dependents' supplements: 50% of pension for spouse, 10% if 3 children reared.

Special supplement of 950 francs a year paid to low-income French pensioners from solidarity fund.

Automatic adjustment of outstanding pensions to annual changes in national average wages.

Special allowance of 1,550 francs a year for low-income former workers not receiving pension.

Permanent Disability and Medical Benefits for Insured Workers

Invalidity pension: 50% of average earnings in last 10 years, if totally disabled.

Constant-attendance supplement: 40% of pension.

Special supplement of 950 francs a year paid low-income French pensioners from solidarity fund.

Automatic adjustment of outstanding pensions to annual changes in national-average wages.

Minimum pension: 1,500 francs a year.

Maximum pensions: 7,200 francs a year if total disability; 4,320 francs if partial.

Special allowance of 1,550 francs a year payable to disabled low-income former workers not receiving pension.

Survivor Benefits and Medical Benefits for Dependents

Widow's pension: 50% of pension paid or payable to insured, paid to widow at age 65 or at 60 if invalid. Also payable to dependent widower.

Minimum pension: 1,500 francs a year.

Child's supplement: 10% of pension if 3 children reared.

Automatic adjustment of outstanding pensions to annual changes in national-average wages.

Death grant: 90 days' earnings of deceased (from 144 to 3,600 francs).

Administrative Structure

Ministry of Social Affairs, general supervision and issuance of regulations. Ministry of Economic Affairs and Finance share supervisory authority with Social Affairs Ministry.

National Old-Age Insurance Fund of Wage and Salary Workers, responsible for administration of old-age insurance for employee group and for "health and social action" for same.

Sickness insurance funds, principal agency for collection of contributions.

General Office of the Family, of Old Age, and Social Action, in Ministry, supervisory and inspection powers. Interministerial Coordination Committee, periodic examination of financial situation of programs, study of social security system overall.

ISRAEL

Dates of Basic Laws and Types of Programs

OLD AGE, INVALIDITY, DEATH

First and current law: 1953.

Social insurance system (1 pound equals 28.5 U.S. cents)

Coverage

All residents (optional coverage for non-employed married women).

Exclusions: Persons born before 1887; and new residents who were age 60 when they first entered country.

Special pension system for public employees.

Source of Funds

Insured person: Employee, 1.4% of earnings. Self-employed and non-employed, 3.7% of income (payable by all residents age 18 and over).

Employer: 2.3% of payroll.

Government: 0.37% of earnings, and whole cost of income-test supplements.

Maximum earnings for contribution purposes: 700 pounds a month.

Qualifying Conditions

Old-age pension: Age 65 (men) or 60 (women); age limit reduced by up to 3 years for arduous work. 5 years of insurance and full payment of contributions due. Substantial retirement necessary, until 5 years past pensionable age. Pensions not payable if pensioner abroad over 6 months.

Invalidity pension: None provided.

Survivor pensions: 1 year of insurance by deceased.

Cash Benefits for Insured Workers (except permanent disability)

Old-age pension: IL 79.35 a month (basic pension of IL 21.46 plus supplement of I.L. 57.89 varying automatically with cost of living).

Dependents' supplements: 50% of pension for wife or first dependent child (if no wife), 40% for second and 36% each for third and fourth child under age 18.

Increments: 2% of pension per year of insurance beyond 10 years, and 5% of pension for each year retirement postponed. Maximum increments, 50% and 25%, respectively.

Income-test supplement (if income excluding relative's support does not exceed pension): 25 pounds a month, or 41.55 pounds for couple.

Permanent Disability and Medical Benefits for Insured Workers

Invalidity pension: None.

Survivor Benefits and Medical Benefits for Dependents

Widow's pension: I.L. 79.35 a month if age 50, invalid, or caring for child 18.40 pounds plus cost-of-living supplement). 72% increment per year for over 10 years of insured status. Other widows, 75% of full pension if age 40–49, or lump-sum grant of 2 years' full pension if under 40. Also payable to aged or invalid widower.

Orhpans' pensions: 50% of full widow's pension for 1st orphan under 18, and about 40% each for 2nd and 3rd orphan. Full orphans, 100% for 1st, 40% for 2nd, and 40% each for 3rd and 4th.

Income-test supplement (if income excluding relative's support not over pension) : 25 pounds a month for full widow's pension.

Administrative Organization

Ministry of Labor, general supervision.

National Insurance Institute, administration of program through its branch offices; managed by tripartite council and director-general.

UNION OF SOVIET SOCIALIST REPUBLICS

Dates of Basic Laws and Types of Programs

OLD AGE, INVALIDITY, DEATH

First law: 1922.

Current law: 1956.

Social insurance system (1 ruble equals U.S. $1.11)

Coverage

Employed persons, students, and persons disabled in public duties with few exceptions.

Special provisions for teachers, scientists, doctors, artists, aviators, etc.

Special system for members of collective farms.

Source of Funds

Insured person: None.

Employer: About 4.4 to 9% of payroll, according to industry.

Government: Excess of expenditure over share of employer contributions allocated to pensions (roughly 50% of cost).

Above contributions also finance cash sickness, maternity, and work-injury benefits.

Qualifying Conditions

Old-age pension: Age 60 (men) or 55 (women) and 25 years (men) or 20 years (women) of work; reduced pension for 5 years' work, with 3 immediately before claim (age and work requirements reduced for difficult or dangerous work, mothers of 5 children, blind or for work in Northern regions, and for teachers, doctors, aviators and theatrical performers.) Pension suspended if concurrent earnings exceed 100 rubles a month (no reduction if in mining or agriculture, 25–50% reduction if in important technical occupation). Payable abroad.

Invalidity pension: Incapacity for any work (total invalidity) or usual work (partial invalidity). 2–20 years of work (men) or 1–15 years (women and dangerous work), according to age; reduced pension if fewer years.

Survivor pensions: Insured had 2–20 years of work (men) or 1–15 years (women or dangerous work), according to age at death; reduced pension if fewer years.

Cash Benefits for Insured Workers (except permanent disability)

Old-age pension: 50% of average earnings in last 12 months (or best 5 consecutive years in last 10 years) if earnings above 100 rubles a month; 80–100, 55%; 60–80, 65% 50–60, 75%; 35–50, 85%; under 35, 100% (rates 5% higher for dangerous work).

Increment of 10% of pension for 15 years' work for last employer, or for total work 10 years beyond qualifying period.

Supplement of 10% of pension for 1 dependent, 15% for 2 or more.

Minimum and maximum pension: 30 and 120 rubles a month, or 100% of earnings.

Pensions 15% lower in rural areas, if pensioner in agriculture.

Reduced pension: Proportionate to years of work; minimum, 25% of full pension.

Permanent Disability and Medical Benefits for Insured Workers

Invalidity pension: 65% of earnings up to 45 rubles a month, plus 10% of the rest, if totally disabled. Minimum and maximum, 30 and 60 rubles. 16 rubles per month upon reaching age 16 for total invalidity from birth.

Constant-attendance pension: 85% of earnings up to 50 rubles, plus 10% of the rest; minimum and maximum, 50 and 90 rubles a month.

Supplements to above: 10 or 15% of pension for 10 or 15 years' work for last employer. 10% for 1 dependent, 15% for 2 or more. 15% for attendant. Maximum supplements, 30% of pension.

Partial invalidity: 45% of earnings up to 40 rubles, plus 10% of the rest. Minimum and maximum, 16 and 40 rubles.

Higher rates for difficult or dangerous work.

Pensions 15% lower in rural areas.

Survivor Benefits and Medical Benefits for Dependents

Survivor pensions: 1 survivor, 45% of earnings up to 40 rubles a month (full orphans, 65%) plus 10% of rest; minimum and maximum, 21 and 40 rubles (full orphans,45).

2 survivors: 65% of earnings up to 45 rubles (full orphans, 90%), plus 10% of rest; minimum and maximum, 30 and 60 rubles (full orphans, 90).

3 or more survivors: 85% of earnings up to 50 rubles (full orphans, 100%), plus 10% of rest; minimum and maximum, 50 and 90 rubles (full orphans, 120).

Eligible survivors: Widow 55, invalid, or caring for child; widower 60 or invalid; children; grandchildren; dependent parents.

Increment of 10 or 15% for 10 or 15 years' work for last employer.

Higher rates for difficult or dangerous work.

Pensions 15% lower in rural areas.

Administrative Organization

Republic Ministries of Social Security, general administration of program in each Republic.

District offices of Ministries (social security department of local governments), local administration including receipt and processing of claims and payment of pensions.

Local pension committees, decision of claims; consist of manager of district office, representative of Ministry of Finance, and trade-union representative.

Trade unions, registration of enterprises, collection of contributions, and other administrative and consultative functions.

UNITED KINGDOM

Dates of Basic Laws and Types of Programs [1]

First laws: 1908 (old-age pensions), 1911 (invalidity insurance), and 1925 (old-age and survivors insurance).

Current laws: 1965 (national insurance), 1966 (income-test pensions replacing national assistance), 1969 (contributions and benefits).

Social insurance system (1 pound equals U.S. $2.40; 1s. (12d.) equals 12 U.S. cents).

Coverage

All residents. Coverage optional for married women, and for self-employed and nonemployed persons whose income below 260 pounds a year.

Graduated provisions cover only employees whose wages are above £9 a week (contracting-out from graduated provisions permitted, if private plan provides equivalent benefits).

Source of Funds

Insured person: Employee, 13s. 7d (men) 11s. 10d (women) a week, plus 4.75% of weekly wages between £9–18 and 3.25% over £18 and up to £30 (contracted-out man 16s; woman, 13s. 4d, plus 0.50 percent of weekly wages between £9 and

[1] Contributions and benefits based on new rates to become effective November 3, 1969.

£18 and 3.25% on wages over £18 and up to £30.) Self-employed, 21s. 6d (men) or 18s. (women). Nonemployed, 16s. 5d (men), 13s. (women).

Employer: 15s. (men) or 13s. 1d (women), a week, plus 4.75% of weekly wages between £9–18 and 3.25% over £18 and up to £30. (contracted-out men, 17s. 5d; women, 14s. 7d plus 0.50 percent of weekly wages between £9 and £18 and 3.25% on wages over £18 and up to £30).

Government: Amount equal to 25% of above flat contributions (33⅓% for self- and nonemployed); lump-sum subsidy; and full cost of income-test pensions.

Above flat and government contributions also financed flat cash sickness, maternity, and unemployment benefits. Graduated contributions also finance sickness and unemployment benefits.

Qualifying Conditions

Old-age pension: Age 65 (men) or 60 (women). 156 weeks of paid contributions, and annual average of 50 weeks paid or credited (reduced pension if 13–49 weeks). Retirement necessary until age 70 (men) or 65 (women); pension reduced by earnings over 7 pounds 10s. a week. Payable abroad, except for later increases.

Invalidity pension: Incapacity for work. 156 weeks of paid contributions as employee or self-employed, and 50 weeks paid or credited in last year.

Survivor pension: 156 weeks of paid contributions, and annual average of 50 weeks paid or credited (reduced pension if 13–49 weeks). For full orphans, 1 parent insured (no minimum contribution period).

Cash Benefits for Insured Workers

Flat old-age pension: £5. a week. Dependents' supplements: £2s. a week for dependent wife; £1 11s. for 1st child; 13s for second child; and 11s. for each other child.

Increment for deferred retirement: 1s. a week for each 9 weeks of contribution after pensionable age (1s. 6d if non-insured wife over 60).

Graduated old-age pension (in addition to flat pension, if not contracted-out): 6d. a week for each £7 10s. (men) or £9 (woman) or total graduated employees contributions paid.

Supplementary pension (after income test): Amount raising income of every aged to £5 6s. a week after rent and property tax, or £6s. for couple.

Permanent Disability and Medical Benefits for Insured Workers

Invalidity pension: £5 a week (represents ordinary sickness benefit, duration of which is unlimited if qualifying conditions met. There is no invalidity pension as such).

Dependents' supplements: £3 2s. for dependent wife: £1 11s. for the first child; 13s. for the 2nd child; 11s. for 3rd and each subsequent child.

Reduced rates for married women and youths:

Supplementary allowance (after income test): Amount raising income of every invalid to £5 6s. a week after rent and property tax, or £8 6s. for couple. Higher rates for blind.

Survivor Benefits and Medical Benefits for Dependents

Temporary widow's benefit (1st 26 weeks for all widows): Flat benefit of £7 a week, plus £2 9s. for 1st. child, £1 11s. for second, and £1 9s. for third, plus 33⅓% of husband's earnings between £9–30 a week.

Widowed mother's benefit: £7 9s. a week, plus £1 11s. for 2nd dependent child and £1 9s, for each additional dependent child, plus family allowances where appropriate.

Widow's pension (if age 50 when widowed or last child ineligible); £5 a week.

Full orphans (guardian's benefits): £2 9s. a week per child.

Funeral grant: 30 pounds.

Graduated widow's penson (if not contracted-out): 50% of pension earned by husband, at age 60.

Supplementary allowance (income test): Amount raising income of widow to £5 6s. a week after rent.

Administrative Organization

Department of Health and Social Security, administration of flat contributions and flat and graduated pensions through its regional and local offices.

Inland Revenue Department, collection of graduated contributions.

Registar of Non-Participating Employments, certification of contracted-out plans (plans must provide equivalent pensions, preserve pension rights if employment ends, and be financially sound).
Supplementary Benefits Commission, in Department award of income-test supplementary pensions and allowances.

UNITED STATES OF AMERICA

Dates of Basic Laws and Types of Programs

First and current Law: 1935
Social insurance system

Coverage

Gainfully occupied persons, including self-employed persons.
Exclusions: Casual agricultural and domestic employment; and limited self-employment (when annual net income below $400).
Voluntary coverage for many employees of nonprofit institutions, most State and local governments, and some clergymen.
Applies in U.S., Puerto Rico, Virgin Islands, Guam, and Samoa, and to citizens employed abroad by U.S. employers.
Special systems for railroad employees, Federal employees, and many employees of State and local government.

Source of Funds

Covered persons: 4.2% of earnings (4.6% in 1971 and 5% in 1973). Self-employed, 6.3% (6.9% in 1971 and 7% in 1973).
Employer: 4.2% of payroll (4.6% in 1971 and 5% in 1973).
Government: None.
Maximum earnings for contribution and benefit purpose: $7,800 a year.
(0.95% of earnings out of combined employer-employee contribution rate of 0.7125% out of self-employed contribution rate for invalidity benefits; remainder for old-age and survivor benefits).

Qualifying Conditions

Old-age pension: Age 65 (or 62 with 5/9 of 1% reduction per month under 65.) Coverage in ¼ of quarters since 1950, (or age 21, if later), or 40 quarters. Pensions reduced by earnings over $2,880 a year, and half of those $1,680–2,880, until age 72; withheld for work outside U.S. on 7 or more days in a month. Not paid to aliens abroad over 6 months unless 10 years' coverage or residence, or reciprocity.
Invalidity pension: Incapacity for substantial gainful activity due to 1 year's anticipated impairment. Coverage in ½ of quarters since 1950 (or age 21, if later); or ¼ of such quarters and 20 of the last 40 quarters.
Survivor pensions: Deceased was pensioner, or covered in 6 of last 13 quarters, or ¼ of quarters since 1950, or 40 quarters (widowed mother and orphans); ¼ of quarters since 1950, or 40 quarters (aged widow, dependent widower and parent).

Cash Benefits for Insured Workers (except permanent disability)

Old-age pension: 71.16% of first $110 of average monthly earnings after 1950 (excluding 5 lowest years), plus 25.88% of next $290, plus 24.18% of next $150, plus 28.43% of next $100. Minimum and maximum pension, $55 and $218 a month.
Dependents' supplements: 50% of pension each for wife or dependent husband age 65 (62 with reduction), or wife caring for child; and for each child under 18 (22 if student, no age limit if invalid before 18).
Maximum total pension: $434 a month or, if less, greater of 80% of average earnings or 150% of basic pension.
(Old-age assistance payable to needy aged under Federal-State program).

Permanent Disability and Medical Benefits for Insured Workers

Invalidity pension: 71.16% of first $110 of average monthly earnings after 1950 (excluding 5 lowest years), plus 25.88% of next $290, plus 24.18% of next $150, plus 28.43% of next $100. Minimum and maximum pension, $55 and $218 a month.

Dependents' supplements: 50% of pension each for wife or dependent husband age 65 (62 with reduction), or wife caring for child; and for each child under 18 (22 if student, no age limit if invalid before 18).

Maximum total pension: $434 a month or, if less, greater of 80% of average earnings or 150% of basic pension.

(Assistance payable to needy disabled and blind persons under Federal-State programs.

Survivor Benefits and Medical Benefits for Dependents

Widow's pension: 82.5% of basic pension of insured if age 62 (also dependent widower), reduced percentage if age 60, or if disabled at age 50; 75% if below 62 and caring for child.

Orphans' pension: 75% of basic pension for each orphan under 18 (22 if student, no age limit if invalid before 18).

Dependent parent: 82.5% of pension if age 62, or 150% if 2 eligible parents.

Maximum survivor pensions: $434 a month or, if less, greater 80% of average earnings or 150% of basic pension.

Funeral grant: 3 months' basic pension of insured. Maximum, $255.

(Assistance payable to needy orphans and relatives with whom living under Federal-State programs).

Administrative Organization

Department of Health, Education, and Welfare, general supervision.

Social Security Administration, in Department, administration of benefits through 7 regional payment centers and 644 district offices, and 182 branch offices.

Treasury Department, collection of contributions through its Internal Revenue Service, payment of benefits, and management of reserves.

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