

THE AGING POPULATION AND PROGRAMS OF SECURITY

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THE aging population and programs of security is a subject which can be discussed under two main heads. One is the problem of old-age dependency, which is essentially the problem of the age group 65 years and over, although there are those who think the critical age might drop to age 60 or 55. The second problem is that of unemployment, the long-time, perennial problem of unemployment, which I would regard as primarily centering in the group aged 45 to 64.

I. OLD-AGE DEPENDENCY

EXTENT OF THE PROBLEM

The first topic, then, will be the dependency problem of old age. In that respect, I think the future does not offer us much more than the past has, namely, that an overwhelming proportion of the persons that reach old age will be dependent in one respect or another. In fact, I think I may say that the outlook is even worse than it has been in the past, because some of the sources of support for dependent old age which we have had in the past will be no longer present in the future.

In general, it seems to me there are three types of private sources of support in old age. One, of course, is work: a person supporting himself after 65 by some kind of productive employment. A second would be independence, or the building up of savings during the working life. The third would be dependence on relatives and children.

For the future it seems to me that the outlook for independent

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support through work is getting steadily less likely. On the farm, and in the rural economy generally, there is some prospect of the older person being productive enough not to be a burden upon the family group with which he is associated. In the urban economy, which is fundamentally the cash economy of the market, the older worker has little chance of obtaining employment so as to obtain wages through regular employment in industry; and, on the other hand, he constitutes a cash outlay for the family with whom he lives. Therefore, generally speaking, the prospect of his supporting himself in the urban economy is very much less than on the farm; he cannot do regular work in competition with younger workers, and there aren't the part-time opportunities for work that there are on the farm. I expect fewer and fewer of these people to be engaged in work of any kind. There may be some development in the future that will offer some hope in that respect, but right now I do not see any possibilities. So I believe that support through work will not be of major significance in the years ahead.

So far as savings are concerned, the number of persons who reach independent old age through savings has never been exceptionally large. I hesitate to suggest fractions of the population who have achieved that state in the past or will in the future; but I would suggest that something of the order of magnitude of 10 or 20 per cent would be a fairly liberal estimate. I would not look for very much improvement in that respect in the future.

The third source is dependence on children, and there the outlook is very dark indeed. In the past, with families of six, eight, or ten children, the support of parents was a relatively minor economic problem, especially when it was associated with farm living. In the future, with these one, two, or three-child families, it is clear that the burden of the aged becomes a very heavy one upon the producing members of that family. The burden becomes serious; the young-old ratio becomes almost one to one; that is, say, two or three dependent aged parents for every married couple.

Such a situation creates financial problems for the younger generation, and will greatly lessen the possibility of supporting the aged by their children, which has been the outstanding method in the past.

Consequently, so far as we can now foresee, support for the aged population through normal methods of the past—through work, savings, or dependence on relatives and children—is going to be very much less effective. The result is the emergence of the social problem of the dependency of a vast number of aged persons.

Now, before I go briefly into the possible solutions to that problem, I would like to touch on an aspect of it which should give us a good deal of thought. That is the political aspect. For this purpose I would like to draw on Dr. Thompson's figures. According to his medium estimates for the year 1980,² the age group 20-44 will comprise less than 35 per cent of the entire population. This age group can be regarded roughly as the younger voting population. On the other hand, the estimates show that approximately 20 per cent of the entire population will be 60 years of age and over. About 40 per cent of the population will be 45 years of age and over. In other words, the estimates for 1980 show an actual majority of voters comprised of persons who are old or approaching old age. When we recognize that already the pension groups in this country are thinking in terms of age 60, sometimes 55, and occasionally, age 50, we can readily see that the pension movement can reach down and pick up enough of the voting population in the not-too-distant future to constitute an absolute majority.

Under these circumstances, we should recognize that the old-age movements of the present are in their political infancy; they are insignificant in power today compared to what they will be in the future. That, I think, is one of the most important political considerations that will face this country in the next forty years. In

² Thompson, Warren S.: Outstanding Population Trends Affecting Problems of Social Welfare. *The Milbank Memorial Fund Quarterly*, July, 1940, xviii, No. 3, p. 193.

fact, I would like to make the prediction that all the other problems that face us at the present time—capital and labor, agriculture, monopoly, possibly even foreign relations—will be dwarfed in the future by the problem of the aged. Programs of handling the aged are likely to be the outstanding political issue in every presidential election for many decades to come.

That also means, since the voting strength of these people is going to be so overwhelming, that unless we devise a social security system of old-age protection that has a reasonable chance of keeping them politically sane, they could easily wreck our economic system by their demands.

THREE METHODS OF HANDLING

The methods of handling this problem, as I see it, are three and I would like to discuss them very briefly: three types of security that we could provide for these older people. If we add the method of individual self-support and family dependence which we have had in the past, then we shall have four methods. This last method we have already taken up. It is sufficient here merely to state that there are persons who do build self-support for themselves in old age. There are those who will continue to do so. Thus, we may expect a minority of the population to have partial or complete self-support in old age in the future. The other three methods all involve community action.

(1) *Public Assistance on the Basis of Need.* One of these is old-age assistance; that is, public relief or assistance given to aged persons on the basis of need. That is the most cautious and conservative of community programs. It is one which at the present time aids about 25 per cent of the aged in the United States. There are about eight and a half million persons 65 years of age and over, and there are nearly two million receiving monthly payments in the States through the Federal-State program of old-age assistance now administered under the Social Security Act.

It is likely that this proportion will rise. It might go up to 30 per cent, it might climb to 40 per cent. However, it is essentially a program of supplementing private methods of old-age support. Therefore, it is the least costly, with expenditures at the present time running about half a billion dollars a year. These could rise, of course, to much higher figures. But this will always be a cautious, conservative program; it will always deal with a minority of old persons, because any genuine test of need which took into account not only the income of the aged individual himself, but also family responsibility, would probably insure that community attention would be devoted to a minority of the aged.

Since it supplements already-existing private support, it means that many of these assistance payments are partial; that is, they are supplementary amounts of five or ten dollars per month added to some income the person already has, or that his children will supply for him. This helps to keep the cost down. Assistance is a program which will take the worst edge off the problem, will meet the greatest need that exists, and will do the least damage to alternative private methods.

On the other hand, it is clear that assistance would constitute a rather limited attack on the problem of old age, and it is a serious question whether politically it would ever, in the long run, take the edge off the demands for much more liberal treatment of the aged. I do not believe that old-age assistance, useful as it is at the present time, and important as it might be in a period of dire financial stress, will satisfy the demands of the aged in the longer future.

(2) *The Free Pension Method.* The second method is at the opposite extreme. It is the free pension method, which in a way has grown out of our present old-age assistance. By free pensions I mean uniform, nation-wide, monthly pensions to all persons, without a needs test. That essentially is the Townsend plan, the General Welfare plan, and all the various state plans—"Ham and Eggs" in California, the Ohio plan, the Arkansas plan, and many others.

Generally, the state plans are conceived as models which can, if successful, be transferred to the federal level. The one basic characteristic of these plans is a uniform pension given to everybody of eligible age in the country, regardless of need.

That program has a great deal of appeal to many people, and I think that it is likely to grow in strength rather than decline in the future. It has the great virtue of simplicity—at least at first glance. It provides for federal administration, it avoids the needs test. I do not believe, however, that the uniform free pension program will be a satisfactory method of meeting this problem, chiefly because of the tremendous financial cost of it.

For that purpose, I would like to present a few figures. Recently the national income has been about seventy billion dollars per year. On a national income of seventy billions, Dr. Townsend's plan of \$200 a month for every person of 60 and over would cost roughly thirty billions; that is to say, it would take three-sevenths of the entire national income at the present time. If we drop down to \$50 a month for every person (60 and over), it would cost seven and a half billions a year; and there are a number of plans in prospect of about this order of magnitude.

There is another plan for \$60 per month per person or \$90 for an aged couple—which will average close to \$50 when the unmarried persons in the older age groups are taken into consideration. But even assuming \$45 on the average, the plan would cost six and three-quarters billion dollars a year to finance.

These figures should give an impression of the size of this problem right today. In contrast, our present expenditures for old-age assistance run less than half a billion dollars a year, and we are collecting in taxes for old-age insurance at the present time (with our tax of 1 per cent on employers and 1 per cent on employees) about six-tenths billion; so that the total of insurance and assistance is running about 1.1 billions per year.

Immediately upon the passage of one of these bills just described

(which wouldn't seem unreasonable to most people thinking in the abstract), we would be confronted with the difference between, say, 6.8 and 1.1, or an addition of 5.7 billions in taxes immediately. Furthermore, these figures do not take into account any of the age changes which Dr. Thompson has discussed. When there is taken into account the great increase in the proportion of the aged, when it is recognized that the present proportion over 65 years of age (about 6½ per cent of the population) will at least double in the next 40 years, it can be seen that this creates a financial problem of tremendous magnitude.

For lack of time, I shall not dwell at all on the tax aspects of such plans. I could have devoted some attention to the various methods suggested for getting the money and what these might do to our economy. However, I shall just stop with the suggestion that the above data will give you some impression of the financial hazards that the nation and the community will face due to this problem of old age.

And that further emphasizes the unfavorable outlook for programs of public education and child welfare. It can be seen that education and children may have a hard time competing with the drive of this aged group, particularly in view of the political support the latter will have.

(3) *Contributory Old-Age Insurance.* The third suggestion is that of contributory old-age insurance. I am not going to spell out our present plan, or how we might modify that plan. I shall take for granted that you know substantially what it is. I merely want to give the philosophy of it and show why I think it is very important to have that kind of a system.

The significance of the contributory plan is that it ties together the contributors and the beneficiaries in the system. It doesn't give a free pension out of general revenue; it doesn't give to anybody something for nothing. In a free pension system the beneficiary may have only one interest, namely, to increase his share of funds

from the public till; and the taxpayer will also have but one interest, namely, to shut down on the revenue and somehow keep the beneficiaries from running off with his funds. The contributory system tends to tie together the taxpayer and the beneficiary into one and the same person.

To be very concrete, there isn't a person in this room, probably, who doesn't have some life insurance; you may have an endowment, built up in such a way as to provide support when you are old. I am doing that, and I suppose everyone else here is also. Not one of us thinks of that as a tax; we call it a premium that we pay for old-age insurance.

In another sense, as a member of the Civil Service Retirement system of the Federal Government, I am at the present time also paying $3\frac{1}{2}$ per cent of my salary regularly for old-age retirement. I do not count that as a tax. In my budget, it goes along with savings and insurance payments, which are considered as assets.

That, then, is the essence of a contributory insurance plan. It is highly socialized; it is not individualized, like private insurance. But, despite its socialization, it has the tremendous strategic, social, and political advantage of making the taxpayer today be, in part at least, the beneficiary of the future, and therefore makes each citizen voter who goes to the polls on election day a person who thinks both of costs and of benefits at one and the same time.

We have had a very interesting illustration of that in Washington in legislation on our Civil Service Retirement. Recently there has been a discussion down there among us as to what our payroll deduction shall be. There is one group who want it to stay at $3\frac{1}{2}$ per cent; these are the higher-salaried group, who do not stand to benefit much by paying 4 per cent or 5 per cent. On the other hand, the lower-salaried groups are eagerly pushing to have deductions of 4 or 5 per cent, because the benefits will then be liberalized and most of those benefits will flow to the lower-paid groups. What I want you to see is that the issues of costs and benefits are

kept closely interlocked, and therefore contributory insurance is a device for insuring that the voting population, at any time, takes account both of the present and of the future—thinks on the two sides at once.

I don't believe that it is going to be possible to maintain political sanity in this old-age field by any other instrument than this one of contributory old-age insurance; and, therefore, I think that the next five to ten years may be crucial in determining how well we shall manage our old-age problem in this country.

There is another point worth mentioning here. All kinds of groups, even conflicting groups, can get together around this kind of a welfare program. I might cite the fact that in old-age insurance some of the leading industrialists of the country are the most eager and enthusiastic supporters of this program. I need mention only Mr. Swope of General Electric, Mr. Stettinius of the United States Steel Corporation, or Mr. Folsom of Eastman Kodak Company. These industrialists can see the advantage of maintaining this kind of insurance relationship, which most closely resembles what we have in private life.

I cite, then, the outstanding significance of contributory old-age insurance as the device for handling this old-age problem. It is a flexible system, as witness the fact that it is possible to adapt the payments to the situation of a beneficiary who wishes to return to regular work; we stop the benefit payments in the month in which a man works; but, at the same time, if he can work part of the year and then retire for the other part of the year, he can receive benefits when actually retired.

And lastly, of course, it can be supplementary to private activities of one kind or another. I believe the insurance companies are endeavoring to sell people annuities that will be additional to the levels of benefits that are provided by this system. The program will dovetail rather naturally with private and self-help efforts to build independent old age, although it, of course, has a strong

social trend in that it does give wide support to the aged through a socialized system of contributory insurance.

II. THE PROBLEM OF UNEMPLOYMENT

The second problem concerns the nearly-old. This group is that of age 45 to 64. The first problem would be summed up by saying that we must somehow maintain the dependent aged (65 and over) by some system that will prevent them from claiming the bulk of the national income. One method of doing that, of course, would be to hold firmly to a limit of 65 years of age for retirement purposes. If we extend the retirement age downward to people as young as 55 or 50 years of age, then no matter how cautious and conservative an insurance system we might adopt we would have an exceedingly difficult financial burden. The self-supporting population cannot take on an impossible task.

It is in this area that the second problem begins emerging—a problem of unemployment. This is not a problem of cyclical unemployment, not a problem of the ups and downs of prosperity and depression, but a problem of the long-run unemployment of this older group of workers. If they are not employed, they will be pension-minded; I think we may take that for granted. Unless we can somehow work out a system of absorbing this labor supply into reasonably full employment, they will add themselves to the dependent pensioners and intensify the latter problem.

Now, very briefly, let me sketch what I think are some of the industrial aspects of that problem. If we look back two hundred, three hundred years ago, we are safe in saying that the average worker who started out in life with an occupation could count upon using it throughout his life. In other words, industry changed very slowly; technological changes were relatively infrequent. The young guilds man of eighteen years of age who learned the trade of shoemaking would be a master craftsman in the same processes 30 years later.

In fact, the situation was even better than that. The average working span of life was shorter than it is today due to higher death rates. Under those circumstances we had a relatively quick turnover of the labor population. In, say, 25 years an employer had a practically new working force. And taking in conjunction the fact that industrial change occurred very slowly and infrequently, we can then realize the adaptability of labor to the job. It was a quick and constant adaptability, a matter of training youngsters all the time.

Now look at our situation today. We have lengthened the life of the average worker so that he is available for work over a period of 40-50 years. Thus, in terms of human beings, the labor turnover has been slowed down considerably. On the other hand, we have multiplied many times the speed of turnover of technological change. To make this more concrete, may I ask you to name a single occupation in the world today that you could guarantee would exist twenty years from now in about its present form? Nearly all occupations today are subject to some change, and in the more mechanical operations they are subject to rapid and spectacular change. Consequently, on the whole, industry is changing very rapidly while the labor supply is turning over relatively slowly.

This, then, is what we are up against. The average man learns a job at, say, twenty. He operates in that job, perhaps more or less successfully, through the first half of his working life. By the time he is forty-five, he may find that his occupation no longer exists, at least not in the way he learned it. Furthermore, in general, his industrial experience has been such that he hasn't been trained in other jobs while he was working. Some workers move about so much, either voluntarily or involuntarily, that they hold a great many different jobs and acquire a certain amount of adaptability, but, on the whole, industry does not automatically retrain its workers.

Therefore, half way through life, our modern worker may find

that his occupation has disappeared. Then he is faced with twenty years more, but with no occupation in which he is qualified. Under these circumstances, we can readily understand the unemployment that develops among these older workers. They drop out, not because of failure in themselves, but because of outside circumstances—industrial depression, bankruptcy of the firm, and many other such events. After that they cannot get back again; there are no openings in their old occupations and they have no training in any new ones.

I would like to add one other thought, and since there are some biologists here, I would like to have them consider it. In early life a person develops certain qualifications, capacities, skills, strength, speed, and so on, which are useful in an occupational way. In the forties there occur basic biological changes which alter these basic qualities. One no longer has the same capacity to do old things or to learn new things. Yet the fundamental question still remains, how can we get 20 years of productive work from the older worker?

That is the basic unemployment problem, as I see it, and I believe that the solution to it will in turn be closely related to the solution of our old-age dependency. I mean that the two problems must be solved coordinately, or else one or the other will overwhelm us.

I would like to indicate briefly some of the things which might be done. One of the previous speakers referred to education. To my mind the big educational problem of the future is, how can we take workers in the forties and retrain them for another twenty years of productive life? Suppose they did one kind of work in early life, went through a retraining process in the forties, and then became self-supporting through other work until they reached retirement at 65. That is the challenge to the educators of the future. And we in Social Security, through our employment service and some of our activities allied with education, see ourselves also involved in that program.

I believe further that unless this is done by the community, it

won't be done at all. Individual employers in private industry cannot run the risk of spending vast amounts of money for retraining, in the hope that they will be able to reap a return from the workers afterwards. Therefore, while we shall need the assistance and support of private industry, we must plan for this as a community enterprise.

A number of professions will have to be brought to bear at this point. Not only is it a question of training this worker for a new occupation, which means discovering occupations that would be possible for him; but it also means training him to be willing to perform these occupations. I don't see how we can avoid, for instance, full use of the social worker in this area, because one of the things that will have to be done is to get the worker in a different frame of mind about the kind of work that he can do, about the wages that he can make, and about his position in the social order. One of the reasons why these older people find it difficult to obtain work is that their attitude toward any new job is influenced by their former work experience. It is hard for a \$20-a-day man to reconcile himself to being a janitor at \$3 per day. Employers who hire such a man will not again repeat their mistake.

One last word and I am through. It seems to me that our society is becoming very much more atomistic. The connection between the earnings of producers and the distribution of goods to consumers is becoming more and more tenuous; the self-supporting wage-earners will be fewer in number; their dependents, whether more numerous or not, not tied as closely as fathers and mothers to their children, but rather tenuously connected in cousinships and more remote relationships. Consequently, the normal family methods of securing distribution of income from earners to consumers will be seriously weakened.

These community enterprises of the kind that I have been describing—the social insurances, the retraining programs, and the services of all kinds—are the only methods by which we shall be

able to distribute the products of industry reasonably among the people of this country. And unless we get some satisfactory method (and a conservative, cautious method at that) it seems to me that one or the other of these conflicting groups will run away with things and may wreck the economic system in the process.

In that respect, of course, I am an ardent advocate of social insurance as a device. I think it is a device that does not depart too much from our present private methods of operation. I think it retains a high measure of individual responsibility, and is, therefore, a likely method for avoiding that rigid control of our economic system which would otherwise be necessary in order to obtain the required distribution of goods to the masses of the people.