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PENSIONS IN THE UNITED STATES

A STUDY

PREPARED FOR THE

JOINT COMMITTEE ON THE ECONOMIC REPORT

BY THE

NATIONAL PLANNING ASSOCIATION

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LETTERS OF TRANSMITTAL

December 19, 1952.

To Members of the Joint Committee on the Economic Report:

For the information of members of the committee and others interested, there is transmitted herewith a report prepared under the auspices of the National Planning Association entitled "Pensions in the United States." This report was prepared at my invitation to the Association to sponsor a study of the effects of public and private pension programs on the national economy as recommended in the final report of the Subcommittee on Low-Income Families.

Both the chairman of the Senate Finance Committee and the chairman of the House Ways and Means Committee commented favorably on the need for such a study at the time it was proposed. Other committees of Congress have also been kept informed as to the nature and development of the study.

The National Planning Association, which is a nonprofit, nonpolitical organization representing leaders from agriculture, labor, business, education, government, and other fields, has been in the unique position to direct the activities of, and counsel with, the individuals in direct charge of the survey. We are grateful to the National Planning Association and its board of trustees for arranging for the conduct of this study with the help of a special grant from the John Hay Whitney Foundation of New York City.

This report is now being submitted to the members of the committee for consideration and such suggestions as they may wish to make.

Joseph C. O'Mahoney, *Chairman.*

December 16, 1952.

The Honorable Joseph C. O'Mahoney,
Chairman, Joint Committee on the Economic Report,
United States Senate, Washington, D. C.

Dear Senator O'Mahoney: There is transmitted herewith the report on Pensions in the United States which the Joint Committee on the Economic Report requested the National Planning Association to prepare. We hope that the report will be useful to the committee and to others interested in the study of our public and private pension systems, their effect on our national economy, and their contributions to the security and contentment of our aged citizens.

As requested by the committee, we have developed a preliminary report in preference to an extensive inquiry. The purpose of the report is to describe existing pension arrangements in summary form, explore the interrelationships between public and private pension plans, identify and illuminate major policy and problem areas, examine areas of basic agreement and point the way for future research and policy determination. An appendix lists research in this general area which is now in process in many organizations throughout the country.

This research project of the National Planning Association was made possible by a grant from the John Hay Whitney Foundation. The study was under the direction of Robert M. Ball, who was staff director for the Advisory Council on Social Security to the Senate Committee on Finance of the Eightieth Congress and who is now Assistant Director, Bureau of Old-Age and Survivors Insurance, Social Security Administration.

The criticisms and suggestions of a wide range of representatives from business and labor and of other experts on pension problems have been utilized in developing the report's findings and recommendations. Mr. Ball, however, assumes full responsibility for the data and conclusions which are put forward in the report.

Respectfully submitted.

H. Christian Sonne,
Chairman, Board of Trustees,
National Planning Association.

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PREFACE

In the summer of 1950 the National Planning Association was asked by the Joint Committee on the Economic Report to make a preliminary study of pensions in the United States. This report is the result of that request.

The unprecedented growth of private pension plans in the last few years coupled with the rapid development of the basic Government system, old-age and survivors insurance, makes this an opportune time to examine our pension arrangements. Consequently many other investigators are also currently engaged in looking into various aspects of the pension question; we have listed in appendix B those current research projects with which we are familiar.

By and large this report does not contain original research nor does it lay claim to comprehensiveness. On the contrary, the emphasis in its preparation has been on presenting existing materials in summary form. Discussion of the very difficult and complicated policy issues in the pension field has been limited to a minimum in the hope that many will find a short summary useful who would not, in the press of other matters, be able to use the long book which would result from comprehensive treatment.

The report is not only in summary form but it is preliminary in the sense that it does not propose definite solutions to the questions raised. It is intended to serve as background for public discussion, for policy decision, and for continued and more detailed research. We have been encouraged in our decision to make this a preliminary and summary report by our knowledge that others are engaged in the preparation of more comprehensive works.

In this report we have tried to say something in reply to the question: Where are we now in regard to pensions and what is involved in determining where we should be going? Moreover, we have tried to define an area of agreement. Although there are wide divergencies of opinion in the United States on how best to proceed in the pension field, particularly on such questions as the benefit level in the general public program and the method of financing that program, we have been equally impressed in our investigations with an area of basic agreement on certain fundamental principles. By and large it has been possible for business and labor and expert opinion in the United States to agree on many fundamental questions of public policy concerning pensions. This is reflected in the decisions of advisory councils, testimony at congressional hearings, and the publications and reports of representative groups. Even so important a change in the public program as a blanketing-in of the present aged under old-age and survivors insurance and a shift to a pay-as-you-go basis, is being proposed within the context of this basic unity concerning the desirability of retaining the wage-related and contributory character of that program. The proposal, whether desirable or undesirable, is put forward as a transitional device for maturing a system of which there is fundamental approval. Since the area of substantial agreement is frequently obscured, part II of the report attempts to indicate its nature.

During the course of the study the advice of a large number of persons has been sought. To name all of those who have been helpful would require considerable space. However, the staff owes special thanks to the group of outstanding experts in the pension and related fields who read the draft manuscript. Many very helpful suggestions and corrections were obtained in this way. Full responsibility for any inaccuracies and for the views expressed and for all decisions on the inclusion or exclusion of material, however, is that of the staff alone. The group who read the manuscript include:

Harry Becker, director of the social security department, UAW-CIO (on leave); J. Douglas Brown, dean of the faculty, Princeton University; Gerhard Colm, chief economist, National Planning Association; John J. Corson, McKinsey & Co.; Nelson H. Cruikshank, director of social insurance activities, American Federation of Labor (on leave); Karl de Schweinitz, professor of social welfare, University of California at Los Angeles; Katherine Ellickson, executive secretary, CIO social security committee; Fedele F. Fauri, dean of the school of social work, University of Michigan; Marion B. Folsom, treasurer, Eastman Kodak Co.; Reinhard A. Hohaus, vice president and actuary, Metropolitan Life Insurance Co.; Clark Kerr, chancellor, University of California (Berkeley); Murray W. Latimer, industrial relations consultant; M. Albert Linton, president, Provident Mutual Life Insurance Co.; John W. McConnell, professor of industrial and labor relations, New York State School of Industrial and Labor Relations, Cornell University; John Miller, assistant chairman and executive secretary, National Planning Association; Roger Murray, vice president, Bankers Trust Co.; Sumner H. Slichter, Lamont University professor, Harvard University; Clark Tibbitts, chairman, committee on aging and geriatrics, Federal Security Agency. Arthur J. Altmeyer, Commissioner for Social Security, and various members of his staff have also read the report and made several helpful suggestions.

In general, the individual members of the pension study staff have been responsible for particular parts of the study. The estimates in the report are largely the work of the staff actuary, Robert J. Myers. George F. Rohrlich, research associate, was responsible for developing the appendix on Research in Progress and, in addition, contributed greatly to the gathering and checking of the factual material used in the report. The report, itself, was largely written by the staff director while on leave from his regular job as Assistant Director of the Bureau of Old-Age and Survivors Insurance. The bulk of the report was prepared during two summer vacations and the rest largely on week ends. Opinions expressed are entirely personal and are not necessarily those of the Federal Security Agency.

The preparation of this report has proved to be both a more time-consuming and a more rewarding experience than was anticipated. As staff director of the Advisory Council on Social Security to the Senate Committee on Finance, the author had during late 1947 and 1948 a good opportunity to observe the beginnings of some of the developments in the pension field discussed in this report. He is grateful to the National Planning Association for this opportunity to bring his knowledge up to date.

ROBERT M. BALL,
Staff Director.

DECEMBER 1952.

INTRODUCTION

There are now 13 million persons over 65 years of age in the United States.[1] About 4 million of them are working or are the wives of men who are working. Thus, there about 9 million aged persons who are without income from current work. In 25 years, those over 65 years of age may number 20 million and if the proportion not at work remains the same, there will then be 14 million persons over 65 without income from work.

Retired persons get their support in many ways. Some have savings or individually bought annuities, some are supported by their children or other relatives or by the community through old-age assistance. Some have veterans pensions. An increasing number rely on retirement systems for a major part of their support.

Pensions in the United States is about these retirement systems, both private and public. Part I will describe existing pension arrangements and part II will cover an area of policy agreement. Parts III and IV will consider the economics of pensions and raise those questions which require further research and policy determination. Part V consists of a summary and recommendations.

SCOPE OF THE REPORT

Retirement systems are distinguished from other methods of income maintenance for the aged by their characteristic condition of eligibility for benefit. The right to retirement pay grows out of work and only those who have been in employment covered by the plan have benefit rights. There are three major classes of retirement systems: (1) Federally administered old-age and survivors insurance (OASI), a part of the social security program, which now covers 8 out of 10 civilian jobs and forms the foundation of future retirement security for most Americans;[2] (2) private retirement systems in industrial and nonprofit employment, which build on OASI and provide additional benefits, and (3) a number of systems, mostly governmental but including nonprofit plans for clergymen, which cover jobs which are not under OASI. The systems in the third category, which include the retirement plans of State and local governments, the Federal

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[1] Throughout this report the current data will refer to the beginning of 1952.

[2] Old-age and survivors insurance is really two programs: A retirement system and a form of life insurance paying monthly benefits to the widows, children, and dependent parents of deceased workers. The program also makes lump-sum payments to the spouse of an insured worker or, if there is no spouse to persons who have paid the burial expenses of an insured worker. Although in this report we are considering only the retirement phase of the program, it is important to bear in mind that the old-age and survivors insurance contribution schedule, the eligibility requirements, and other provisions of law are related to both the retirement and the life-insurance phases of the program. By the end of 1952 the face value (i. e., the total amount payable in the event of the death of all insured persons) of the life-insurance protection furnished by this system was about $275 billion, about equal to all private-life insurance in force in the United States.

civil service, and the systems of the Armed Forces, have no provisions for integration with OASI. The Railroad Retirement System is unique in providing for a degree of integration with the basic public program and should perhaps constitute a fourth class.

These broad classes of retirement systems must be studied together, for it is the combination of protection which people have and the cumulative effect on the economy of the combined arrangements which are significant. Private plans cannot reasonably be considered separately from the public program; for those with private plan coverage it is the combination of OASI with the supplementary protection which constitutes the "retirement system." For these reasons this report will consider the total impact of all of these retirement systems, pointing out, however, the differences in provisions and in problems among the three classes where the differences are significant.

Although Pensions in the United States is about retirement systems it will necessarily consider to some extent the relationship of these systems to employment opportunities for older persons and the total income-maintenance problem of retired people. Nor can our concern be limited entirely to those over 65 years old. The need for income maintenance also occurs for large numbers of persons more or less permanently out of the labor market before they reach that age. Many older widows are not able to get and hold jobs even though under 65 and, regardless of their age, wives of retired men are usually dependent on the income of their husbands. Moreover, retirement may, of course, occur before 65. It is estimated that nearly two million former workers in the United States under 65 years of age are out of work because of long-term disabling conditions.[3] A large proportion of this group will never work again and they too face the problem of income maintenance.

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[3] Two sample surveys undertaken by the Bureau of the Census in February 1949 and September 1950 showed, respectively, 2.2 and 2.1 million civilians in age groups 14 to 64 to be under a disability which had lasted more than 6 months. Almost three-fourths of these had been in the labor force before becoming disabled (86 percent of the men and 51 percent of the women). These figures do not include the unknown but necessarily large number of long-term disabled in the institutional population, totaling then about 700.000. T. D. Woolsey, Estimates of Disabling Illness Prevalence in the United States, U. S. Public Health Service, 1952. Also M. E. Moore, and B. S. Sanders, Extent of Total Disability in the United States, Social Security Bulletin, November 1950.

PART I

WHERE WE STAND TODAY

EMPLOYMENT OPPORTUNITIES FOR THOSE OF RETIREMENT AGE

A major determinant of the size of the pension problem is the proportion of the aged group that is productively employed. The number receiving pensions in the future will depend importantly on this factor, for private plans almost always require retirement from the employer or industry as a condition of drawing benefits, and old-age and survivors insurance requires substantial retirement from all covered employment.

Large numbers of persons over 65 are now working. As of March 1952, 42 percent of the men past 65 were in the labor force. Between the ages of 65 and 70, nearly 60 percent were in the labor force and even between the ages of 70 and 75 the labor-force participation rate was 40 percent. About 45 percent of the men past 65 who were not at work were over 75.[1] A large proportion of those not working are of course disabled. It is doubtful if out of the 1.9 million men between 65 and 75 who are not at work, as many as 750,000 would be able to hold regular full-time jobs.

The continued employment of a large proportion of persons past 65 is important in holding down the cost of pensions. For example, the average age at which retired persons come on the old-age and survivors insurance rolls is now 69. If people generally were to retire and apply for benefits at 65, the long-range cost of the system would be increased by more than 1 percent of pay roll. Moreover, under conditions of relatively full employment, a general policy of retirement at 65 would mean that the volume of goods and services available for distribution to the whole community would be lowered by the amount which workers past 65 would otherwise produce.[2] There would be a big increase in the number of people who consume without currently producing.

There is considerable evidence to support the idea that, faced with the alternative of a greatly reduced income, most older persons prefer to continue work if they are able to. In several surveys of the beneficiaries of old-age and survivors insurance, the Social Security Administration has found that only about 5 percent of those receiving old-age benefits had stopped work voluntarily.[3] About two-fifths of the group surveyed reported that they had retired because of disability; most of the others would have preferred to continue at their

[1] U. S. Department of Commerce, Bureau of the Census, unpublished data.

[2] It is true, of course, that it would not add to production to employ older workers in place of younger workers. If we are again faced with periods of widespread unemployment it may be expected that in general, those beyond 65 will be laid off in preference to younger workers of equal ability or skill. Under such circumstances the decreased production cannot be blamed on a policy of retirement at age 65.

[3] Margaret L. Stecker, Beneficiaries Prefer To Work, Social Security Bulletin, January 1951.

jobs and considered themselves able to work, but they had been retired against their will.

Generally, those few who were in good health and were willing to retire looked forward to substantial incomes in retirement. Where total retirement income, including individual savings, pensions, and other income-producing plans sponsored by the employer, such as stock-purchase plans, promises a standard of living close to what has been supported by earnings, the attitude toward continued employment may be very different than where the retired person must be largely dependent on an OASI benefit.

Factors other than the economic, however, are also important. The character of the work to be done is one of the most significant. Is the work to be done by the individual merely tolerable or does he consider it interesting? What are the physical and mental requirements? Is the work available to him in old age of such a nature as to maintain his prestige? Also, what are the retirement activities which are the alternative to continued work? Is he prepared for a reasonably satisfying life aside from work? Also important is the attitude of the individual's associates toward retirement and the institutional setting in which it takes place. Adherence over a long period of time to a policy of a fixed retirement age in large organizations such as those of the telephone companies or the Government service, coupled with reasonably adequate retirement benefits, can win a large measure of acceptance for the idea of retirement.

It is not surprising, however, that under present conditions most aged people want to keep on working if they can. Work now provides in most instances a much higher standard of living than pensions and in all probability will continue to do so. In a large proportion of cases the alternative to work in old age, even for those who retire on a pension, is still partial dependence on relatives, public assistance, or actual physical want.[4] At the same time, the opportunity to work means recognition and a sense of being a useful participating member of the community that few aged people attain in any other way. Our friendships, our social and recreational life, our place in the social order—all tend to be organized around our work to a very considerable degree. Thus in most instances the worker who retires loses more than income. He is faced with emotional problems of readjustment which may be as serious as the economic problem of a greatly reduced level of living. The fear of being unwanted and useless is hardly less of a threat to the security of the aged than the fear of poverty and dependence.

What then is the trend? Will we continue to employ large numbers of persons after 65, or will compulsory retirement at 65 become more and more general? The answer is not clear.

It is true that for those past 65 the opportunity to work has been greatly reduced in the last 50 or 60 years. In 1890, 68 percent of all men 65 and over were members of the labor force as compared with 42 percent today. This drop seems to be the result of the decrease in the relative position of agriculture in the national economy and a consequent decline in opportunities for self-employment, combined

[4] In a Nation-wide survey of old-age and survivors insurance beneficiaries conducted in 1951 it was found that about one-fourth were partially dependent on relatives and about 14 percent on public assistance.

with the failure of the nonagricultural sector of the economy to give an increasing proportion of its jobs to those over 65.

The proportion of the gainfully employed in urban self-employment has probably not increased significantly since the turn of the century; it may even have declined somewhat. Opportunity for self-employment as a farmer has certainly declined very considerably. In 1890 about 23 percent of the gainfully employed were self-employed farmers; the proportion is now about 6 percent.

Self-employment is a very important source of jobs for older people. Older persons can continue in self-employment when they cannot continue to be employed by others; the decision to continue working, the pace, and other conditions of work are to a much greater extent within the control of the self-employed person. The peculiar significance of self-employment to older persons is demonstrated by the fact that today about 40 percent of the employed persons over 65 are self-employed, whereas only about 16 percent are in self-employment. (It is also true that in self-employment the line between being at work and in retirement is less clear cut. The farm owner of advanced age whose son does most of the active farm operation and management may still report himself as being in the labor force.)

Although the nonagricultural sector of the economy has become the dominant factor in employment, there has not been a corresponding increase in the proportion of jobs going to people over 65. The proportion past 65 among persons in nonagricultural employment is roughly the same now as in 1900. Thus, with an aging population and a decline in the relative importance of agriculture, total opportunities for employment have declined for those past 65.

To the extent, however, that the decline in the opportunity for self-employment which has taken place is the result of a shift from agriculture to urban industry, the past trend may not be indicative of the future of a labor force already largely nonagricultural. Rather than a projection of past aggregate trends, we need to study what has been happening and what is happening today, industry by industry and occupation by occupation. As the 1950 census data become available, much important work can be done in this area.

The biggest opportunity for increasing labor force participation by the aged is among women. Less than 10 percent of the nearly 7 million women over 65 are now employed. This is a result of the fact that the great majority of women now past that age were out of the labor force in the years just before 65. The trend, however, has been toward increased employment of older women. Between 1940 and 1950, for example, the proportion of women workers aged 55 to 64 in the labor force has increased from 17 to 27 percent. It is reasonable to expect in the future a consequent increase in the proportion employed after 65.

It may be said in general that it is of considerable importance to the community and to the individual to continue to provide job opportunities for persons of retirement age who can and want to work. Yet on the most optimistic assumptions, the number of nonearners among the aged will not only remain very large, but will grow as the number of the aged grows. Employment is largely out of the question for most of those over, say, 75, the disabled, and for many of the women who spent their younger years as homemakers. Increasing employment opportunities for the aged cannot, therefore, be a substitute for pensions, but it can reduce the cost of pensions and the economic burden of old age on current producers.

THE DEMAND FOR PENSIONS

Workers have shown a growing interest in securing income protection for the time when they will have to retire. Several factors have contributed to this interest. One of the most important is that the period of retirement has lengthened. As already indicated, a smaller proportion of men over age 65 are supporting themselves through work than in the past and yet older persons are living somewhat longer. Mortality rates in 1900 showed that men (white) in the United States lived an average of 11.5 years after age 65; on the basis of current rates it is estimated that they will live an average of 12.5 years after they attain that age. If medical science has any significant degree of success in its current attack on heart disease, cancer, and the other diseases of old age, the average length of life of the aged will be further extended. Taken in conjunction with a decline in employment opportunities in old age, this means a longer period during which many of the aged are in retirement.

The greater need for money incomes

For the aged who do not have jobs, dependence on children as a method of support is no longer completely acceptable. First of all, there are on the average fewer children to whom an aged parent can turn for support—fewer among whom the burden of support may be divided. In 1890, women who had completed the period during which they could bear children had an average of 5.1 children; in 1910, the average was 4.1; in 1920, 3.6; and in 1940, 2.6. Then, too, the support of aged parents is for many people more of an economic burden today than it once was. The shift from the relatively self-sufficient farm of the last century to city living means that now everything has to be paid for. Today, when parents live with their children, typically, more rent is required and more food and clothing bought. The increased dependence on money, moreover, is not confined to city living, for to a considerable extent the contemporary farm family is less self-sufficient than was the farm family of 50 years ago and often is largely dependent on money income from a few cash crops.

By and large the pattern of living today is such that most older people prefer not to live with their children and be supported by them. (Only a few children can afford to support parents in separate households.) If old people must live with others, they want to contribute toward their own support. They do not want to feel they are an economic burden to their children; they want to retain the feeling of independence which comes from paying their own way. After managing one's own home it is extremely difficult to become a dependent in the home of another, even the home of a son or daughter. Yet dependence on friends and relatives is still a major method of support in old age.

To be economically secure in old age, therefore, the aged person—now even more than formerly—must have his own money income. He cannot count on working to the same extent as he once could and he frequently finds the alternative of being dependent on his children unsatisfactory both to them and to himself.

Individual savings

There has been a large increase in the volume of personal savings in the last 10 years, principally as a result of greatly increased personal incomes coupled with shortages in consumer goods during the war years. While the high rate of savings characteristic of the war years had declined and some of the wartime savings had been used up, early in 1951 about 45 out of 100 spending units had savings accounts and 41 out of 100 owned Government bonds.[5] The savings of individuals at the end of 1951, exclusive of the value of corporate securities owned and equity in a home,[6] amounted to about $340 billion, which was offset to the extent of $61 billion by individual debts. This total included $136 billion in currency and bank deposits, $16 billion in shares in savings and loan associations, $67 billion in United States Government securities, $10 billion in State and local government securities, an equity of $67 billion in private life insurance and annuities, $37 billion in the reserves of public retirement and social-security programs, and $7 billion in national service life insurance and United States Government life insurance.[7]

There has also been a large increase in home ownership—a very significant fact in the security of older persons. In 1951, 54 percent of all nonfarm families owned their own homes as compared with 41 percent in 1940. Among the families headed by persons 55 and over, 67 percent owned their own homes in 1951 as compared with 59 percent in 1940.

In spite of the remarkable increase in personal saving, a survey of consumer finances made for the Federal Reserve Board in 1951 throws some doubt on the availability of savings as a significant resource in old age for perhaps half or more of the people in the country. Moreover, people save for many purposes and the extent to which they save for old age is, of course, difficult to measure. The typical reason for saving given in surveys is "a rainy day," which may have reference to a drop in income in old age, but may also mean unforeseen contingencies before old age is reached. In the Federal Reserve Board survey, 51 percent of the spending units experiencing a decrease in the size of their assets in 1950 drew on savings to meet the cost of medical care alone.

One measure of the effective ability of persons to save for old age is the amount of assets held by those now aged. There is some indication that asset holdings tend to be largest in late middle age, just before retirement. When spending units in an earlier (1949) Federal Reserve Board survey were classified by the age of the head of the unit, those with unit heads 55 to 64 years of age appeared to be the group with the highest proportion of any assets other than real estate, and with $5,000 or more of assets other than real estate. Yet, one-third of the spending units in that Federal Reserve Survey with unit heads 65 years and over had no assets if real-estate holdings were excluded. One-half, including the spending units with no assets, had asset hold-

[5] Except where stated otherwise, these and following data on savings are taken from the 1951 Survey of Consumer Finances, Federal Reserve Bulletin, June–September and December 1951.

[6] There is no accurate information on the value of individuals' holdings of corporate securities. However, rough, unpublished estimates by the Securities and Exchange Commission indicate an order of magnitude of about $180 billion.

[7] Securities and Exchange Commission, Volume and Composition of Individual's Savings in 1951, Statistical Series, Release No. 1077, April 17, 1952, and unpublished data.

ings of less than $500. About 7 out of 10 had assets valued at less than $2,000. Approximately the same proportions were found among spending units with heads retired from the labor force and for the most part consisting, presumably, of persons over 65 years of age.[8]

The surveys made by the Social Security Administration of the income, assets, and living arrangements of old-age and survivors insurance beneficiaries suggest that somewhat more than half of the commercial and industrial workers who have retired in recent years have some assets other than real estate but that such assets are typically small.[9] Recently a Nation-wide sample survey of old-age and survivors insurance beneficiaries showed that at the end of 1951 about 60 percent of the old-age beneficiaries had some savings other than real estate. Only 13 percent, however, had as much as $5,000. Home ownership was the major significant asset of most families with assets. About two-thirds of the married men owned their own homes, 80 percent free of mortgage. Generally, those who owned homes were also the ones who had some additional savings. One-fourth of the old-age beneficiaries, however, had no assets whatever, and about two-thirds had no assets other than real estate, or had assets amounting to less than $1,000.[10]

Available data, then, suggest that most people do save, in varying amounts and for a variety of reasons, and that in recent years more than half the aged have been able to accumulate some savings. Such savings are generally small, however, and for most persons not large enough to provide an adequate source of support in old age. Saving enough money for self-support in old age is extremely difficult for most wage earners. To buy from an insurance company a modest annuity of say, $75 a month beginning with age 65 requires for a man an accumulation of about $11,900, and for a woman, since women live longer than men, about $13,900. Such large savings for this one purpose from an average worker's income are seldom accomplished. Old age is the last of many risks to which a worker is subject. What savings he can make tend to be used up during illness or unemployment, or they are spent in bringing up children. Very frequently the only significant savings which last until retirement are those which are invested in a home. If most workers, their wives or their widows are to have sufficient money income in old age, a foundation must be supplied by some sort of pension arrangement which does not depend for its success on voluntary savings. On the other hand, pension arrangements do not, of course, eliminate the role of individual savings. Rather they serve as a base upon which the individual will be encouraged to build, through savings, toward greater retirement security.

Employer and community interest in pensions

An important part of the demand for pensions has arisen because many employers have felt that it is good business to have an orderly method of retiring older employees who have passed peak efficiency. Until recently, pension plans have been established primarily on the

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[8] Board of Governors of the Federal Reserve System, 1949 Survey of Consumer Finances, IV, tables 5 and 16.

[9] Social Security Bulletin, October 1947, p. 18.

[10] Social Security Bulletin, August 1952, pp. 3ff.

initiative of employers. It seemed inhuman to discharge without income those who had worked long and well for a company. Moreover, such a procedure was detrimental to the morale of the remaining employees and hurt the good will of the employer in the community. The provision of an income in retirement for former employees has been considered so important to the company that it could not be left up to the individual initiative of the employee. If the employee failed to provide himself with an income for old age through individual savings, the company as well as the individual was hurt.

The provision of retirement insurance through Government compulsion is also justified on much the same ground. It is too vital a matter and affects the whole community too importantly to be left entirely up to individual discretion. Just as we insist on a minimum level of education, so do we require the individual to carry certain minimum insurance for his own good and for the good of the community.

As important in bringing about the demand for pensions as the increased need for money income in old age, the business interest of employers, or the recognition of the community stake in adequate retirement financing, has been the establishment of higher standards of what is desirable and what is possible in providing such income. The demand for pensions is part of a generally rising standard of living and also part of an increased sense of social responsibility. We are more determined than formerly to put an end to unnecessary suffering by organizing our social and economic life so that people have what they need. Our increased output makes this possible, and our conscience directs us to its accomplishment.

CURRENT PENSION ARRANGEMENTS

Coverage of current workers

Nine out of ten persons in the United States who work in civilian jobs are now earning retirement protection. Nearly 8 out of 10 are under old-age and survivors insurance, and almost half of the remainder are protected by other public programs—those for civilian employees of the Federal Government and employees of the States and localities. The only major groups not now under a retirement plan are the 4 million farm operators, perhaps a million self-employed professional persons, and those domestic and agricultural workers who do not meet the tests of regular employment established by the Social Security Act—totaling perhaps 2 million. Career servicemen among the 3.5 million persons in the Armed Forces have protection under special plans. Most of the remainder will earn protection under the plans covering their regular jobs and will receive credit under these plans for the time spent in the Armed Forces. At the beginning of 1952 about one out of five of those who were covered by old-age and survivors insurance were also covered by private plans designed to supplement the public system.[11]

For the worker, the great bulk of this coverage is mandatory. Membership in a particular plan, whether public or private, is typically an automatic accompaniment of employment in an industry

[11] The figures in this paragraph relate to employment in January 1952 and not to the total number of persons who move in and out of these "jobs" over the course of a year. The coverage figure for private plans is a rough estimate. This is true of many of the figures relating to private plans used in this report since accurate data on various aspects of the plans are not available.

or occupation covered by the plan. Under a few State and local plans, most private contributory plans, and in nonprofit employment under old-age and survivors insurance, those who were in covered employment at the time the plan was initiated may stay out of the plan if they wish, but those who are hired later are covered compulsorily. Probably more than three-fourths of the persons covered under private plans did not elect coverage on an individual basis, and with the relatively minor exceptions indicated above, all public programs are compulsory for the employee.

Of the 14,000 private plans in existence in 1951, about 90 percent were underwritten by insurance companies. However, about two-thirds of the 9.6 million covered workers were under the 1,000 to 1,500 uninsured-pension trusts. About 55 percent of all the plans used individual-annuity policies sold by insurance companies, but these plans were typically small and accounted for only about 5 percent of the covered workers. Group annuities and certain other types of insured plans accounted for 25 to 30 percent of the coverage.

The history of coverage

The nearly universal coverage of current workers under retirement systems is a very recent development. A little over 15 years ago there were only about 6 million persons, less than 15 percent of those employed, with this protection. Coverage was very uneven, ranging from virtually 100 percent in the communications industry to virtually nothing in retail trade or agriculture. Employer-sponsored plans, including railroads, covered about 3.7 million workers and the special systems for Government employees about 2 million. Around 200,000 nonprofit employees, such as clergymen and university and college teachers, also had protection, and a few workers were covered by union-sponsored plans.

Most employees of business and industry were protected under a retirement program for the first time in 1937 when coverage under the Social Security Act became effective. At that time about 25 million were covered. As the labor force grew, the number of persons covered by old-age and survivors insurance increased until by 1950, just before the further extension of coverage, there were about 35 million under that program at one time. There are now about 47 million covered under old-age and survivors insurance at one time and an additional 7.5 million are under other public systems.

Most supplementary plans of private industry are of even more recent origin than the public programs. Practically all collective-bargaining plans were established after 1940, and the great majority in the last 4 or 5 years: relatively few of the existing employer-sponsored plans were established before 1940.

TABLE I.—*Estimated number of private retirement plans and coverage thereunder, 1930–51* [1]

End of year	Number of plans	Number of persons covered
		Millions
1930	720	2.4
1935	1,090	2.6
1940	1,965	3.7
1945	7,425	5.6
1950	12,330	8.6
1951	14,000	9.6

[1] Includes plans of nonprofit organizations (in 1950, about 800 plans covering about 200,000 persons). Figures include only employees who have met minimum eligibility conditions in those plans which have such requirements for participation. Railroad plans are not included except for the special plans of small coverage which are supplementary to the Government-operated Railroad Retirement System. In 1930 there were about 40 private plans covering about 1.35 million persons in the railroad industry. These systems were largely abandoned after July 1, 1937, the date on which the pensioners of these private plans were transferred to the Railroad Retirement System. These estimates were prepared in the Division of the Actuary, Social Security Administration.

A few private plans are very old. The American Express Co. (now the Railway Express Agency) in 1875 set up the first private pension plan in the United States. The Consolidated Gas Co. of New York (a predecessor of the Consolidated Edison Co. of New York) set up its pension plan in 1892, and several plans were established soon after the turn of the century. The Carnegie Steel pension plan and the pension plan of the Standard Oil Co. (New Jersey), for example, were established in 1901 and 1903, respectively.

Most of the early plans were noncontributory and unfunded and carefully avoided establishing "rights." The pension was usually discretionary and considered a gratuity. Pensions could usually be terminated or reduced at will. Gradually the legal character of pension plans has changed, particularly in the last 20 years, until today practically all pension plans are nondiscretionary and are considered a right of the employee who meets the eligibility conditions.

During the 1920's, insurance companies began to sell group annuities and following the establishment of OASI there was a considerable upsurge in the establishment of insured plans as supplements to the public program. A second major growth in private plans occurred during World War II because of the special conditions growing out of the war economy. Cash wages were frozen and pensions were one of the few ways left open to employers to grant increases in compensation and to compete with each other for labor. Moreover, the establishment of pensions was made relatively inexpensive because of the operation of the excess-profits tax. For a firm in the higher brackets of the tax then in effect, money put into a pension plan actually cost the company only about 20 cents on the dollar. Since 1949 the growth in coverage under private pension plans can, to a considerable extent, be traced to the drive of the big unions.

Coverage of the present aged

Because of the relative newness of the public and private plans alike, current arrangements are less effective in supplying benefits to the 9 million persons already over 65 and not receiving income from current work than they are in covering current workers and providing protection for the future. About two-thirds of the retired workers and their wives (about 5.5 million[12] of the 9.0 million persons over 65 who are not living on current earnings) are receiving some kind of a retirement benefit. Income maintenance in old age, however, is a matter of survivorship protection for widows as well as retirement benefits for the worker and his wife. Current arrangements are not yet very effective in protecting widows. Less than one-fourth of the 3.5 million nonworking widows over 65 are receiving a pension.[13]

Nearly all of the retirement benefits currently being paid come from the public programs. Less than 10 percent (probably about 500,000) of the 5.5 million persons referred to above are now getting private pensions (mostly as supplementary payments to OASI) or are the wives of men getting pensions; very few of the 3.5 million nonworking widows are receiving them. Over half of the 5.5 million are receiving old-age and survivors insurance and another 800,000 to 850,000 are getting retirement pay from other public systems. Old-age and survivors insurance is also paying nearly 700,000 aged widows some on the basis of their own wages and others on their husband's wages.

Summary of coverage

To sum up, coverage against income loss in old age in the United States is nearly 90 percent effective for current workers and two-thirds effective for workers already retired and for the wives of retired workers. It is less than 25 percent effective for aged widows. Although about 16 percent of the employed labor force is under some type of pension plan providing protection supplementary to that offered by old-age and survivors insurance, relatively few private-plan benefits are being paid as yet. Most of the current aged now drawing retirement benefits are getting them from public programs.

Benefit provisions

From the standpoint of the protection furnished, the level of benefits provided by present arrangements is much less satisfactory than the coverage situation. Under OASI for September 1952 the average monthly benefit for retired workers without entitled wives was about $47; for married couples the average was about $80; and for aged widows $40. These figures reflect the changes which were made in the law in 1952.

For those who come on the old-age and survivors insurance rolls in the future the benefits will be higher. Under the new benefit formula (55 percent of the first $100 of average monthly wage and 15 percent of the remainder up to a maximum of $300), the worker with an average wage of $100 will receive $55; $150, $62.50; $200, $70; $250, $77.50; and $300, the maximum of $85. If the retired worker's wife is 65 the couple will receive half again as much. The average worker with a wife also 65 who retires in the last half of 1952 will receive for himself and his wife an old-age and survivors insurance monthly payment of slightly over $100. The average single man will receive about $65.

Old-age and survivors insurance beneficiaries who receive supplementary retirement pay from private plans (about 15 percent of all

[12] This group is made up of about 3.6 million men and 1.9 million women. The 1.9 million women include about 1.3 million nonworking wives of retired men plus the entire group of 600,000 single and divorced women not working, since it is impossible to separate those who were workers from those who were not. Aged widows are treated separately.

[13] Individually bought annuities and other periodic payments under insurance contracts, however, go to from 300,000 to 400,000 widows 65 and over.

old-age beneficiaries when both husband and wife are considered to be receiving the benefit) are, of course, much better off than those who receive old-age and survivors insurance alone. In the survey of aged beneficiaries receiving old-age and survivors insurance conducted at the end of 1951, it was found that about half of the men drawing private pensions got more, and half got less, than $60 a month from this source. Three-fourths received less than $100 a month and about 10 percent got more than $125 a month.

Table II gives examples of the monthly benefits, OASI plus the private plan supplement, payable under various plans to a man with a $250 average monthly wage at age 65 after 30 years' service. The percentage of the combined payment represented by the private plan supplement is also indicated in the table.

TABLE II.—*Examples of monthly benefits payable at age 65 after 30 years' service based on a $250 average monthly wage*[1]

Private pension plan	Private plan alone	Single man		Married couple[2]	
		OASI and private plan	Private plan as percent of combined amount	OASI and private plan	Private plan as percent of combined amount
Aluminum Co. of America[3]	$22.50	$100.00	22	$138.80	16
Amalgamated Clothing Workers of America (men's and boys' clothing industry)	50.00	127.50	39	166.30	30
American Telephone & Telegraph Co.	36.25	113.75	32	152.55	24
Bethlehem Steel Corp.	22.50	100.00	22	138.80	16
International Ladies' Garment Workers' Union (cloak suit joint board)	65.00	142.50	46	181.30	36
United Mine Workers of America	100.00	177.50	56	216.30	46
Consolidated Edison Co. of New York, Inc.	87.50	165.00	53	203.80	43
du Pont (E. I.) de Nemours & Co.	50.00	127.50	39	166.30	30
Eastman Kodak Co.	75.00	152.50	49	191.30	39
International Brotherhood of Electrical Workers	50.00	127.50	39	166.30	30
Ford Motor Co.[3]	47.50	125.00	38	163.80	29
General Electric Co.[3]	60.00	137.50	44	176.30	34
General Motors Corp.[3]	45.00	122.50	37	161.30	28
Grumman Aircraft Engineering Corp.[3]	168.75	246.25	68	285.05	59
United States Steel Corp.[3]	22.50	100.00	22	138.80	16

[1] The concept of average monthly wage differs among the plans considered. In some instances the average monthly wage is computed over the most recent or highest 5- or 10-year period, in other cases it is computed over the entire period of employment. Basic figures prepared in the Division of the Actuary, Social Security Administration, October 1952.

[2] The OASI wife's benefits are payable only if the wife is 65 years of age or over.

[3] The reference is to the collective-bargaining plan covering production workers.

Under present arrangements, combined old-age and survivors insurance and private-plan benefits will, for the $250-a-month man with long service, generally replace from 40 to 60 percent of his previous wage if he is single, and from 55 to 75 percent if he is married and his wife is 65. Private plans are designed as supplements to the public program and would, of course, be inadequate for the average worker if considered alone. Generally speaking, considerably more than half of the combined retirement benefit will come from the Government program. For those with less than 30 years' service, the proportion of combined benefits furnished by the Government program is generally considerably more.

Private plans are adjusted to OASI in various ways. Because OASI pays in relation to the first $3,600 of annual earnings, some private plans pay a supplementary benefit only on compensation in excess of this amount. Others pay on all compensation, but pay a higher percentage on earnings above $3,600 a year. In many collective-bargaining plans the adjustment is more direct. A given level of combined OASI and supplementary benefit is guaranteed and the private plan pays whatever is necessary to bring the amount up to the guaranty. Under these collective-bargaining plans, as OASI is liberalized the amount payable by the private plan is reduced. This is true also of many employer-sponsored plans as it is quite common to provide for adjustment of the private plan by subtracting the OASI benefit or some portion of the OASI benefit from the amount payable by the company.

In the near future, under a few plans, combined benefits will reach a high percentage of previous wage. The United Mine Workers of America Welfare and Retirement Fund, for example, now pays $100 a month at age 60 after 20 years' service in the coal industry, regardless of the amount of the old-age and survivors insurance benefit. The average miner retiring after September 1952 will have an average monthly wage of about $270. If single, he will receive about $80 from old-age and survivors insurance when 65, and if married, about $120. If the retired married worker receives an additional $100 from the miner's fund, his combined benefit will be somewhat over 80 percent of his previous wage.

Plans such as this one, which do not provide for direct adjustment to OASI can, of course, be modified to take new levels of old-age and survivors insurance benefits into account by a general reduction in the supplementary benefit. The miner's fund provisions, for example, do not give an absolute right to $100 per month plus old-age and survivors insurance.

Although most private plans take into account the fact that the individual will also be receiving benefits under old-age and survivors insurance and in one way or another allow for this fact, the public programs, except for old-age and survivors insurance and railroad retirement, have been largely independent of each other. A person while working for the Federal Government in a civil-service position on permanent appointment is covered only under the Civil Service Retirement System and not under old-age and survivors insurance. The same is true of those covered by most State and local plans and of those who qualify under the plans of the Armed Forces. Thus the benefits of those plans are generally intended to be sufficient in themselves. Even though large numbers of persons, by moving from one type of occupation to another, may become eligible for old-age and survivors insurance and one of these retirement benefits in addition, the benefit structures of those plans are based on the idea that the benefit which they provide is the only one which the individual will receive.

Under these special Government programs the benefits tend to be considerably higher than those under old-age and survivors insurance. Currently, for instance, a retired railroad worker with 30 years' service who has averaged $250 a month gets a monthly benefit of $144.90; if married with a wife age 65 or over, he gets $184.90. The $300-a-month worker with the same length of service would get $165.60 a month; with an entitled wife, $205.60. A Federal civil servant earning $250 a month with 30 years' service would get $137.50 whether married or not. If he earned $300 a month, he would get $152.50; those who earn more get considerably more. Maximum benefits under old-age and survivors insurance, on the other hand, are $85 for a single man and $127.50 for a couple.

Retirement benefits under old-age and survivors insurance are half again as much for a couple as for a single person if the wife is also 65. In practically all other plans, except the Railroad Retirement System, the amounts are the same regardless of marital status. Old-age and survivors insurance also pays a benefit to an aged widow on the death of a covered worker although she receives only three-fourths of the amount which would have been payable to the worker himself.

In the public programs and in the majority of private plans the amount which an individual gets is related to his level of earning. There are, however, notable exceptions. Benefits payable under the plan in the coal-mining industry and those in the auto industry are unrelated to compensation, and the relatively high minima payable under the steel plans will for many years result in the same pension amounts for workers at various wage levels. The plans which are related to compensation, of course, automatically pay somewhat higher benefits as the general wage level rises. This is particularly true of the plans such as those in the steel industry, which generally relate benefits to earnings in the last 10 years, or plans such as those of United States Rubber, American Telephone & Telegraph, and many systems covering public employees, which relate benefits to a high 5- or 10-year period.

Under the OASI formula, on the other hand, benefit levels respond quite slowly to rising rates of compensation. Benefits are based on a lifetime average, and wage increases above $3,600 a year have no effect on benefit amount. In OASI, adjustment to changing wage levels requires legislative action.

In practically all of the programs there is variation in benefit amount according to length of service, but in most cases the plans give workers in the older age group at the time the plan goes into effect full or nearly full rate benefits, regardless of the short period of their employment after the inauguration of the plan. The old-age and survivors insurance program does this through the eligibility requirements and the benefit formula, the other plans through the device of past service credits.

Service requirements for benefits

All of the retirement programs, both public and private, pay benefits only after a period of work under the system. This is the reason many of the present aged are ineligible for benefits; they or the persons they were dependent on became disabled, retired, or died without meeting the service requirements.

In the long run a person must have been in covered employment 10 years to be eligible for a retirement benefit under old-age and survivors insurance. For the early years of the program, however, in order to make the program effective for those already near age 65, a shorter period of work is sufficient. Before the OASI amendments of 1950, an individual was eligible if he worked in covered employment at least half the time after 1936 and before reaching age 65. All workers were required to have at least 1½ years of service in covered employment. The minimum service requirements are still generally the same except that the starting point is now 1950 rather than 1936; wage credits earned any time after 1936 continue to count toward meeting the new requirements. Since work in nearly 8 out of 10 jobs counts toward old-age and survivors insurance eligibility, most people now working, young as well as old, will find those requirements easy to meet.

Service requirements under private plans are much more difficult to fulfill because the employment must all be with the same employer or, in some plans, in the same industry. Collective-bargaining plans frequently require as much as 15 or 20 years' service before making any payment. Long service requirements are also typical of the uninsured noncontributory employer-sponsored plans. The group annuity plans, on the other hand, may not have service requirements as such but the waiting period before a worker is covered under the plan amounts to a service requirement. (This requirement, though, is usually a short one—typically 1 to 5 years and often attainment of a certain age such as 25 or 30.) In addition, some such plans do not permit new employees past 55 or 60 to be covered.

Those plans, and they are frequently the large ones, which require relatively long employment with the same employer or industry do not protect the worker who changes jobs after, say, 45 or 50. This is one reason why it is very difficult to say just how much protection these plans afford. There are more than 10 million persons working in jobs which would provide them with benefits supplementary to old-age and survivors insurance if they stayed in those jobs long enough.[14] But how many will?

American workers change jobs frequently and even move from industry to industry in substantial numbers. The wage records of the Bureau of Old-Age and Survivors Insurance show that in 1948, 25 percent of all covered workers were employed in more than one industry. In most cases these workers actually changed jobs, although some held two jobs at the same time or took on new work during temporary lay-offs. In 1944, 30 percent were employed in more than one industry; in 1945, 32 percent; in 1946, 31 percent; and in 1947, 26 percent.

In the steel industry in 1947, 38 percent of all workers worked for at least two different employers during the course of the year, and 36 percent of all steel employees worked in at least one other industry as well. In the automobile industry, the corresponding proportions were slightly higher—40 percent of all workers earned wage credits with at least two different employers, and 39 percent were employed in at least one other industry. The movement from employer to employer and industry to industry is by no means confined to younger workers. In the 20-year age interval where job mobility is lowest—age 45 to 65—the movement from employer to employer for 1948 was 23.4 percent.[15]

[14] This figure is larger than the 9.6 million covered in 1951 because it includes an allowance for those who have not yet met the eligibility requirements under contributory plans.

[15] Some allowance must be made in considering these figures for those who hold two jobs and work in more than one industry at the same time, and for those who change industry but not employers. On the other hand, these data probably understate the total volume of employer and industry change, because they measure the changes only within employments covered by the old-age and survivors insurance program prior to the 1950 amendments.

It is not known to what extent the workers who move one year are the same workers who moved the preceding year. In spite of these high annual mobility rates, it is still possible that a large proportion of workers stay with the same employer between the ages of 45 to 65. This may be particularly true of the employees of firms with pensions. The current population survey of the Bureau of the Census shows that in January 1951, half the men 65 and over who were still working had held their present jobs 10 years or more. In the age group 55 to 64, 44 percent had held their present jobs 10 years or more. These percentages would be much higher for pension firms alone, since the over-all figures include farm labor, construction workers, and others who change jobs frequently. More information is needed on the mobility of workers in these older age groups before we can be sure of the extent to which long service requirements limit the protection offered by private plans. This is a significant area for further exploration.

Vested rights

Many private plans, including most collective-bargaining plans, require the individual to be working for the particular employer or industry or to be on some kind of leave status at the time of retirement in order to receive any benefit at all. Other plans give certain rights on termination of employment before retirement age. In private contributory plans, an employee whose service is terminated before retirement is always entitled to a refund of his contributions, usually with interest.

In many employer-sponsored plans an employee who meets certain requirements with respect to length of service, age, or both, is given an equity in the pension rights accumulated for him out of his employer's contributions. This is known as "vesting" and is usually in the form of a paid-up annuity deferred to retirement age. Thus, an employee leaving a firm at age 45, for example, may be given a paid-up annuity maturing at age 65 for an amount purchasable by both his own and the employer's contribution. Vesting may be complete; that is, the employee is entitled to the full value of the deferred annuity to his credit, or it may be graded, in which case partial vesting is established after an initial number of years of coverage, with the proportion vested increasing gradually to full vesting after an additional number of years. A combination eligibility requirement for vesting of both a specified age at termination of employment (45 to 55) and of service (10 to 20 years) is quite common. Service alone, usually 5 to 15 years, is required more frequently than age alone, which is usually age 55.

The Federal programs tend to have liberal vesting provisions. The Railroad Retirement System has vesting after 10 years and civil service after 5 years. The right to retirement benefits under old-age and survivors insurance is vested after meeting the minimum service requirements previously described. As of the beginning of 1952, 22.6 million persons had such rights under old-age and survivors insurance and will be entitled to benefits whether they work longer or not.

Contributions

Although benefits under retirement plans are given only to those who have earned a right to them through a period of employment, many plans do not require the employee to make a direct cash contribution for the protection. The Federal tax situation is favorable to plans financed entirely by the employer. Since the employer contribution is generally deductible as a business expense, a large part of the employer contribution would, in the absence of the plan, be paid to the Government. (Since March 1951, of every dollar paid to a pension fund by a corporation subject to surtaxes, 52 cents would have been paid to the Federal Treasury in the absence of a pension plan.) On the other hand, employee contributions are not deductible from personal income taxes and, moreover, the rate of tax to which the employee is subject is generally lower than the corporation rate.

Statistics on the extent to which plans are contributory are very limited. The early plans in industry were largely noncontributory. Probably a majority of those established between World War I and World War II required employee contributions, especially those established by smaller firms, but during World War II noncontributory plans became popular again. The Bankers Trust Co. studies show that the plans adopted between 1943 and 1947 were about evenly divided between contributory and noncontributory.[16] Many management-sponsored plans established since the end of the war have been contributory; but, with very few exceptions, plans resulting from collective-bargaining agreements have been noncontributory. Noncontributory plans have always covered more workers than contributory plans, and probably less than one-fourth of the workers now covered by private plans make contributions to them.

Contribution formulas under private plans vary greatly. The contribution and retirement credit for the first $3,000 of annual earnings is generally less than for earnings over this amount, since the employee is also receiving credit for these earnings and paying a contribution on them under old-age and survivors insurance.[17] In contributory plans, the employee's contribution is generally expressed as a percent of earnings—ranging from 1 to 5 percent (generally 2 to 3 percent) of the first $3,000 of annual earnings, and from 1 to 7 percent (generally 4 to 5 percent) of the remainder. The employer contributes the balance necessary to provide the benefits contemplated. Employer contributions nearly always at least equal the employee contribution and are often 1½ to 2 times as large. In addition, the employer finances entirely benefits based on service prior to the adoption of the pension plan.

In the negotiated plans, the agreement may specify the exact amount the employer is to contribute to the pension plan. Thus, in the retirement plan for the men's clothing industry, the employers contribute 3 percent of the payroll. In the bituminous-coal industry, the employers contribute for welfare purposes 40 cents for each ton of coal mined for sale or use; the trustees of the pension fund then allocate an amount to be used for retirement benefits. The contract between the United Automobile Workers (CIO) and the Ford Motor Co. at first called for employer contributions of 8.75 cents per hour worked. This has now been changed to an unspecified amount calculated to provide the benefits agreed upon.

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[16] The Bankers Trust Co., 289 Retirement Plans, New York, 1948, p. 9.

[17] Beginning with 1951 the old-age and survivors insurance contribution has applied to the first $3,600 of annual earnings, but many of the private plans have not been changed to take this into account. Some plans use a break point of $1,200, since this is the amount to which the higher percentage of the OASI formula applies. Prior to the 1950 amendments the higher percentage applied to earnings under $600, and some private plans are still based on this figure.

The cost of old-age and survivors insurance is borne equally by employers and employees. Contributions are a percentage of the first $3,600 earned in a year. The rate, currently 1.5 percent each for employer and employee, is scheduled to increase to 2 percent each at the beginning of 1954 and then in a series of step-ups to 3.25 percent each in 1970. The self-employed pay a rate equal to 1½ times the employee rate. Although only about 47 million persons are covered under old-age survivors insurance at any one time, about 60 million contribute to the program during the course of a year.

The Armed Forces plan is noncontributory, as are a few State and local plans, but the other Government programs require employee contributions (e. g., Railroad Retirement, 6.25 percent; and Civil Service, 6 percent).

Funding

In all pension plans, benefit expenditures are low at first and increase gradually as the pension rolls build up over the years. Arrangements for currently setting aside amounts to cover part or all of the accruing liabilities before benefits have to be paid is called "funding."

What constitutes an "actuarially sound" funding plan is a matter of debate. A very strict definition of a fully funded plan would be a plan which had deposits in sufficient amounts so that, if at any given cut-off date no further deposits were made, the plan could continue in operation, fully honoring all obligations based on service up to such date. Thus all those who had retired would continue to get their benefits, and many of those who had not yet retired would get benefits as they became eligible. This definition of actuarial soundness would require deposits to have been made for all past-service credits and to be made currently for all present service.

Relatively few workers today are covered by plans which would meet such a test of liquidation. Many plans do not contemplate ever being in this position, while others that do, by and large, have not yet accumulated the sums necessary to fund all past-service credits. One practical consideration—at least in the case of private plans approved by the Bureau of Internal Revenue—in funding past-service credits quickly is a regulation which denies the full tax offset for deposits in any one year which exceed 10 percent of the liability arising from service performed prior to the adoption of the plan. This restriction is deemed necessary to prevent tax avoidance.

Another possible test of actuarial soundness is to fund the plan in such a way that the necessary amount has accumulated by the time of retirement to provide each participant with the contemplated life retirement income. This test can be met even though past-service credits have not been fully funded. Under this test, the continued operation of the plan may be necessary to meet the obligations to those who have not yet retired, but in the event of liquidation those already on the rolls would continue to get their benefits.

Another test, somewhat less stringent, which depends even more on the continued operation of the plan, is the test usually applied to old-age and survivors insurance and other Government plans; that is, will the income to the fund over all future years be sufficient to meet the benefit obligations as they arise? Thus the tax schedule in the old-age survivors insurance program is designed to make the system entirely self-supporting but does not contemplate full funding. This test, which is also the one used in the United States Steel plan, can be met even though past-service credits are never funded, if in the future, instead of such funding, amounts are made available equivalent to the interest which would have been earned by deposits for past-service credits. Liquidation under such a plan of financing and the failure to make such payments in lieu of interest could mean the termination or reduction of payments to retired persons as well as the failure to honor obligations to those not yet retired. Although appropriate for a public program continuance of which may be assumed, this test of actuarial soundness is certainly not appropriate for any but the largest and most stable private companies.

Most plans have some sort of funding arrangement, although many would not meet any of the tests of actuarial soundness suggested above. Those plans which have no funding and meet all benefit payments out of current revenues are often called pay-as-you-go plans.

Whether a plan is in fact actuarially sound depends not only on the test adopted but on the assumptions used in the estimates, for wide variations in cost estimates result from different assumptions on turnover, mortality, retirement rate, interest rate, and other cost factors.

Some reserve funds are already very large. At the end of 1951 there was over $15 billion in the old-age and survivors insurance fund, $2.5 billion in the Railroad Retirement Fund, and $5 billion in the Civil Service Retirement Fund. None of these amounts, however, represented more than a fraction of the accumulated liability of the plans. The reserves of all private plans together amount to about $12 billion.[13] (The American Telephone & Telegraph Co. plan alone has reserves of over $1 billion.)

These reserves are growing rapidly. Contributions under old-age and survivors insurance during 1951 were $3.4 billion and benefit payments (including those to survivors under age 65) totaled $1.9 billion. The net increase in the old-age and survivors insurance trust fund in 1952, including interest earned, will amount to about $2 billion.

Information on the fiscal operations of private plans is extremely limited, but perhaps $300 million was paid out in monthly benefits (including a relatively small amount for persons under 65) in 1951, while employers and employees together contributed over $2 billion.

Contributions under Government programs other than old-age and survivors insurance and excluding the programs for the armed services, which are not operated on a reserve basis, amounted to $2.1 billion in 1951, with benefit payments (including benefits for persons under 65) of approximately $1 billion.

Taxation of industrial plans

Since the establishment of pension funds, employer contributions have generally been considered an expense of doing business and as such deductible from income for income-tax purposes. Partly to clarify the conditions under which the deduction was proper and to define the conditions under which pension trusts may be exempt from taxation, and partly to encourage the establishment of pension plans, the Congress in 1942 revised the standards in the tax law. Section 165 (a) of the Internal Revenue Code provides that the income to pension trusts that meet certain requirements is tax-exempt. It also pro-

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[13] Estimate by Division of the Actuary, Social Security Administration.

vides in section 23 (p) that employer contributions to an annuity contract or a pension trust that is part of a plan that meets the requirements under section 165 (a) may be deducted from income as a current expense of doing business provided the contributions are ordinary and necessary expenses and are compensation for services actually rendered. The most important provisions under section 165 (a) are:

1. The plan must be for the exclusive benefit of employees and their beneficiaries, and neither its principal nor income can be diverted to other purposes.
2. It must be formal and communicated to the employees.
3. It must be intended as a permanent plan.
4. It must be bona fide and not a subterfuge for distributing profits to stockholders.
5. It must not discriminate in favor of officers and highly paid or supervisory employees.

Since the advantages are great, practically all reserve plans are designed to meet these requirements.

Permanent and total disability

Many individuals are retired prematurely because of disability, and benefits in the event of permanent and total disability are specifically provided for in some private plans, generally in the self-insured plans of large firms. In a recent study of 275 plans, 80 were found to make specific provisions for such benefits.[19] In most plans, however, a disabled employee must rely on the early retirement provisions of the plans. In plans making special provisions for disabled employees, benefits are almost always conditioned upon long service (15 years or more), the attainment of a specified age (usually 55), or both. Retirement plans which have been recently negotiated in the mass production industries usually make special provisions in the event of permanent and total disability.

Old-age and survivors insurance makes no provision for permanent and total disability and has no early retirement provisions of any kind. All other retirement programs of the Federal Government and most State and local plans make special provisions for permanent and total disability.

Deferred profit-sharing plans

Profit-sharing plans under which the benefits are deferred until retirement or the attainment of a given age are a form of pension. These plans do not, of course, guarantee any particular benefit amount; the payment is based on the profit experience of the company, length of service, and wage or salary level of the individual. Because there is no guaranty of benefit amount and because they do little for those who are in the older age groups at the time the plans are inaugurated (there is no recognition for past service), deferred profit-sharing is an unsatisfactory substitute for a regular pension plan. Yet, from the company's viewpoint there are real advantages in the profit-sharing approach to pensions; commitments are automatically tailored to what the individual company can afford. A combination retirement system and deferred profit-sharing plan has considerable attrac-

[19] Permanent and Total Disability Benefit Provisions in Industrial Retirement Plans. Division of Research and Statistics and Bureau of Old-Age and Survivors Insurance, Social Security Administration. June 1950.

tion. A pension can be guaranteed and past service credits granted through the regular retirement system, while more liberal benefits for the people now young can be made to depend on the success of the individual enterprise. Some of the smaller, less stable companies which hesitate to take on the long-term commitments and past service liabilities of a regular pension plan, find deferred profit-sharing the most feasible way to supplement the public pension program. In addition to the 14,000 retirement plans in operation, there were in 1951 over 3,000 deferred profit-sharing plans in the United States.

OTHER GROUP METHODS FOR SUPPLYING INCOME TO THE AGED

This report is primarily concerned with retirement plans, but it is necessary in considering them to have in mind not only individual savings as previously discussed but also the contribution which is made to the support of the aged by other group methods of income maintenance, notably public assistance and veterans programs.

Public assistance

The purpose of public assistance is to provide income to needy persons to enable them to obtain the essentials of living. Old-age assistance is the principal type of assistance available to older persons in want, but some persons of advanced age receive aid to the permanently and totally disabled, aid to the blind, or general assistance. The Federal Government makes grants to States to help them finance the categorical assistance programs but general assistance is solely the responsibility of the States and localities. The States generally require a period of residence before a person is eligible for assistance in any of the categories. For old-age assistance under the provisions of the Social Security Act these residence requirements must be limited to 5 years during the 9 years preceding the application, including the year immediately preceding.

In determining whether a person is eligible for assistance and how much assistance he is to get, the State establishes a standard by which need is determined. This standard includes such basic requirements as food, shelter, clothing, utilities, household operating expenses, and such special requirements as nursing, home care, or medical services. The difference between the individual's income and the total cost of the items considered essential for him is commonly taken to represent the amount of need. In some States, the assistance payment may equal the amount needed; others limit by law or administrative ruling the maximum monthly amount that a recipient may get. Where appropriations are insufficient to cover payments to all eligible persons, the States usually make percentage cuts in the amounts. In old-age assistance, a few States do not use an individualized budget in arriving at the grant, but subtract any income the recipient may have from a flat figure assumed to be the minimum needed by all aged persons.

Except for the aid-to-the-blind category, in determining eligibility or the amount of payment, States are required by Federal law to take all income and resources of the individual into account. He may be found eligible, however, even though he owns certain minimum amounts of real and personal property. State policies commonly allow recipients to own their homes, have small life-insurance policies, and maintain small cash reserves. The amounts and kinds of property that a recipient may have, and the circumstances under which he may retain it, differ from State to State. In some States, automatic liens are placed on the real property of a recipient so that at his death, or that of his surviving spouse, the State may recover for assistance granted. Some States require a recipient to surrender title to his property as a condition to receiving aid.

States must also measure how far the individual's resources will go in meeting his current living costs. Policies governing the evaluation of resources relate to the use-value of property, net income from earnings and other sources, and the value of home-grown produce. Policies relating to possible contributions from relatives are widely divergent. Some States, in determining the extent of an individual's resources, include specified amounts because of the existence of legally responsible relatives able to contribute to the support of the assistance recipient whether or not such relatives actually do contribute. At the other extreme, Texas has a provision barring the assistance agency from making any inquiry of relatives concerning their ability or willingness to contribute to the support of needy individuals. In all States, when relatives do contribute the income from this source must be taken into account.

Federal financial participation.—Since October 1952 the Federal share of old-age assistance costs has been four-fifths of the first $25 of the average payment and one-half the balance up to a maximum of $55 monthly for an individual. The $55 limit applies to the sum of the money paid to the individual and any payments that may be made to persons, agencies, or organizations supplying him with medical or other remedial care.

Volume of old-age assistance.—Great variations are to be found among the States in the number of recipients of old-age assistance in relation to the aged population. In December 1951 the recipient rate ranged from 49 per 1,000 in the District of Columbia to 674 per 1,000 in Louisiana. Assistance standards, and policies relating to the responsibility of relatives for support, the ownership of property by recipients, liens on property, and recoveries from the estates of recipients for assistance granted during their lifetimes are important factors affecting the size of the recipient load in a given State. However, in general, the States that are predominantly rural—and consequently have least protection from the old-age and survivors insurance system—have the highest recipient rates. These are for the most part States with low fiscal resources and with a relatively large amount of need. About 2.7 million persons were receiving old-age assistance at the beginning of 1952.

Average old-age assistance payments in December 1951 ranged from $70.91 in Colorado to $18.68 in Mississippi. The national average was $44.54. In 16 States the averages exceeded $50, the maximum monthly amount in which the Federal Government would share at that time. In eight States—all of which are in the South—the averages were under $30.

Expenditures for old-age assistance in the fiscal year 1951, prior to the adoption of the present matching formula, were $1.5 billion, of which the Federal Government paid $800 million.

Veterans' payments

At present there are only about 300,000 persons over 65 receiving payments under the various veterans' programs. It is not unlikely, however, that in the future these programs will become a very significant source of income for the aged.

Virtually all surviving veterans who served in World War I will become 65 in the next 5 to 15 years. At age 65 a veteran is considered disabled for purposes of pension if he has a 10-percent disability. Since the disability does not have to be service-connected, practically all aged veterans can meet this test. The veteran will then receive the full pension of $75 a month for any year in which his income is $1,400 or less if single, and $2,700 or less if married. Government life insurance and certain other payments to veterans are not taken into account in determining this income limitation, but other sources of income, including retirement pay, are.

Non-service-connected pensions are also paid to permanently and totally disabled veterans under 65 and to the widows and children of deceased veterans. (In the case of World War II veterans there must be a service-connected disability at the time of death.) The widow's benefit is $48 per month and the child's benefit is $12 for the first child and $7.20 for each additional child. Income limitations are similar to those described above.

Except for dependent parents, a comparatively minor benefit category, the income or resources for the veteran or his survivors are not considered in determining eligibility for benefits based on service-connected disabilities. The amount of compensation for service-connected disabilities is generally determined by the degree of disability and the presence of dependents.

PART II

AN AREA OF AGREEMENT

In part I of this report we have indicated the nature of the pension problem and described existing arrangements for the income maintenance of retired persons. In part II we shall consider the area of substantial agreement on some of the major policy questions.

A first reaction to a description of the various retirement systems, public assistance programs, and veterans' programs directed to the income-maintenance needs of the aged may be that the present situation is chaotic and that it would be desirable to select one approach, one system, and do everything through it. There is an emotional appeal in the simplicity of the single principle. Our goals, however, are legitimately somewhat different in each of the various programs of income maintenance for the aged, and a diversity of approaches is necessary for meeting these goals. The weakness of American planning for the income maintenance of the aged to date is not that we have a diversity of systems but that we have not sufficiently coordinated those we have or related the whole to the underlying problem of maintaining employment opportunities for the aged. Although there is no necessary virtue in reliance on a single system of income maintenance for the aged, there is virtue in a method of planning which takes into account the whole area and which attempts to make the parts fit.

That is what we are beginning to do in this country. A constructive pattern for meeting the income needs of the aged has been emerging in the United States—a pattern which in broad outline has the support of responsible spokesmen for industry, labor, and Government, and of professional and expert opinion. The emerging pattern is this—employment for those aged who can and want to work, and for those who retire a universally available system of publicly administered old-age and survivors insurance, contributory in nature and wage related, plus supplementary retirement systems which take into account the protection afforded by old-age and survivors insurance but give additional benefits. The desirability of additional saving which the individual accomplishes on his own according to his ability and inclination is taken for granted. There is also support for old-age assistance for those who, even with full coverage by retirement systems, will not have income sufficient to meet their minimum needs in old age. This pattern has not been completely realized but, in broad outline and as an objective, it now commands wide allegiance.

Because this broad area of agreement is frequently obscured by differences on some particular aspects of the pension problem, this section discusses the principles underlying this emerging pattern of pension planning—principles which we believe are supported by most informed opinion in the United States.[1]

[1] This does not mean, of course, that there is unanimity. It is possible to find individuals who disagree, some with one principle, others with another. Such disagreement will be pointed out. The recommendations of business and labor committees and the published material of a host of experts, however, support the conclusion of a broad area of substantial agreement.

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I. The first principle of a constructive approach to the income maintenance needs of the aged is that there should be opportunity for productive employment for those who are able to and want to work.

II. There is widespread agreement that underlying anything the individual may do for himself or any arrangements made through collective bargaining or by an employer there should be a universally available public program directed to income maintenance for the aged.

III. There is widespread agreement that the means-test method is a less satisfactory way of providing income for retired persons than a non-means-test program, and that the basic public program should, therefore, not include a test of need. There is also recognition, however, that assistance to the aged will continue to be required to meet needs not otherwise met.

IV. There is considerable agreement in this country on the desirability of relating retirement pay to previous earnings and on the desirability of having the fundamental public program contributory.

V. There is widespread acceptance of the idea that private pension plans are desirable as supplements to the public program.

I. The first principle of a constructive approach to the income maintenance needs of the aged is that there should be opportunity for productive employment for those who are able to and want to work.

We have already discussed in part I the reasons for agreement on this principle among a large part of business and labor.[2] Employment for those of retirement age who are able and want to work will reduce the cost of pensions and in periods of relatively full employment will increase the total product of the economy. There is major disagreement, however, concerning the application of this principle, most of the disagreement centering around the question of whether retirement from a particular organization should be compulsory at a fixed age or whether compulsory retirement should be based on a determination of fitness for the job.

The argument against compulsory retirement at a fixed age, usually 65, rests on the rather obvious fact that people do not all become "old" at the same age. Other things being equal, a company would gain the most in efficiency if it could retire some workers at 55 and retain others until 75 or more. On the other hand, there are real problems connected with a flexible retirement age based on a determination of fitness for the job. The objections are both psychological and administrative. With a fixed retirement age, workers can anticipate retirement from their organization and plan suitable activities or employment somewhere else. Most important, all are treated alike according to an objective test—age. There is concern about the psychological effects of an indefinite retirement age on those who, with the abandonment of a fixed retirement age, each year must meet a test of fitness, and are finally retired after a specific determination of unfitness. There is concern, too, about the invidious comparisons with those of like age who are allowed to stay on and about the possibility of favoritism and charges of favoritism.

[2] It is interesting to note, however, that the Townsend movement argues today, as it did in the thirties, for adopting the Townsend plan in order to get older workers out of the labor market to make jobs for the young.

In order to increase employment opportunities for those past 65 it is not necessary to abandon completely the idea of a fixed retirement age. One possible line of development in the near future would be for the major companies that have not done so to raise the compulsory age somewhat above 65—to, say, 68 or 70—but to keep the voluntary age at which one can receive full pension at 65. Between the voluntary and compulsory age there would be room for experimentation with criteria of fitness and the exercise of individual choice.

Some recent collective-bargaining agreements contain provisions introducing greater flexibility with regard to retirement age. The Ford contract, for example, provides for compulsory retirement at 68 but voluntary retirement at 65. A contract in the rug industry provides that a full pension is payable at the age of 65 and in a reduced amount at the age of 60; between the ages of 60 and 68 retirement is entirely at the option of the employee; between 68 and 72 it is by agreement between management and the union; from 72 on, the option is with the employer. Government, too, has room for experimentation. In general, the age for compulsory retirement under the Federal Civil Service Retirement System is 70, but an unreduced annuity is payable at 62 after 5 years of service and at 60 after 30 years of service.

Many companies, of course, do not have a policy of compulsory retirement at a fixed age. Such a policy is generally limited to firms which provide pensions, and even among the pension firms the practice is by no means universal.

Retirement at a fixed age from one's regular job is not necessarily a bar to all employment. In maintaining employment opportunities for workers of retirement age much experimentation and research needs to be conducted on reassignment of older workers to lighter jobs and to part-time work. As the population continues to age it may prove desirable to organize industry so that the economy can take advantage of the contributions of those no longer able to continue in their former jobs, but still ready and able to do something else.

For many persons the best solution of the problem of employment in old age will involve not only a shift in jobs but in employers. For executives, particularly, organizations may wish to adhere to quite rigid policies of compulsory retirement at a fixed age. Determination of continued fitness for executive jobs is extremely difficult and involves such imponderables as the retention of the qualities making for aggressive leadership. Equally important is the fact that the policy-making executive has so many connections in the plant management that individualized decisions regarding retirement easily take on the appearance of favoritism. Moreover, if a company is to retain its best men, it is important to provide promotional opportunities for the younger executives.

Yet the retired executive may want work in another organization and be able to perform it adequately. We need to make a place for the employment of such persons and for all older workers who need to shift to a different type of work. At present it is difficult for older persons to get new jobs. Employers generally prefer younger workers of equal skill or ability whenever there is a choice. This is a reasonable preference based on the fact that the younger person is more likely to become a long-service employee. Moreover, in part, employer preference for younger workers is based on employer experience with the failure of some older workers to adjust readily to new conditions. This is not only a question of learning a new skill. Older workers are frequently faced with the emotional problems involved in taking jobs which for them mean a decline in earning power and in responsibility. From being an important person with seniority rights and having the prestige of an "old hand," the newly placed older person frequently has to adjust not only to a different way of doing things but to taking orders from a "youngster." Some are able to make these adjustments and some are not.

Employer preference for younger workers, on the other hand, is based partly on prejudice—a tendency to rely on generalities rather than an evaluation of the capacity of a specific individual for a specific job. Recent studies show that older workers under some conditions may prove to be better and more careful workmen, have lower accident rates, and prove more stable than younger workers.[a]

To achieve full utilization of the productive capacities of older persons and a consequent reduction in the economic burden arising from an aging population requires conscious effort. It is necessary to develop special training projects, more counseling related both to placement and emotional adjustment, and research in the placement of older workers. Some labor unions will have to look more kindly on the partial employment of older persons and on shifting those with seniority privileges to jobs with less pay. Management in some industries, on the other hand, will have to be more willing to experiment with a flexible retirement age. Most important of all would be a reorganization of work processes and jobs—the use of the split shift and other special adaptations of industry to the increasing age of a large part of the labor force.

On the other hand, care must be taken not to confuse the desirable goal of providing opportunity to work in old age with the undesirable goal of forcing continued employment in jobs beyond the capacity of the individual through the pressure of economic necessity. It is a loss to the economy to have an individual hanging on to a job that he cannot perform adequately. Most importantly, it is a bad thing for people to be forced to work beyond their strength because it is the only way they can adequately maintain themselves. The alternative to work in old age should be retirement at a level of living acceptable to the individual so that the freedom to choose work or retirement is a meaningful one. It is not necessary that as a nation we decide that work after 65 is always either good or bad. What we need is more flexibility in our institutions dealing with retirement so that the individual can make his own choice. We want neither forced work in old age nor forced idleness.

Concern for increasing the employment opportunities of older persons does not mean an abandonment of leisure as one of the goals of our civilization. Some among those who can afford it will prefer complete retirement in later life to even part time work. For a few people, retirement means an opportunity to be active in areas of life where they find greater satisfaction than in paid employment. It is not unlikely, however, that most will prefer the opportunity to participate in paid work as long as they are able but that they will also

[a] As documented, for instance, in several of the more recent references cited by Richard C. Wilcock in Who's Too Old To Work? Institute of Labor and Industrial Relations, University of Illinois, September 1950.

want considerable leisure throughout life. In the United States, as productivity has increased, we have steadily cut down our hours of work per week and have chosen leisure in preference to an even greater increase in goods and services. In 1890, the average workweek in the United States was 58 hours; in 1920 it was 50 hours; now it is 42 hours. This trend will undoubtedly continue over the long run future. The hope is that we can organize industry so that there is time for both work and leisure throughout life for those who want it instead of a concentration of work at certain periods of life and a concentration of leisure, often unwanted, at other periods.

II. There is widespread agreement that underlying anything the individual may do for himself or any arrangements made through collective bargaining or by an employer there should be a universally available public program directed to income maintenance for the aged.

It is extremely difficult to find disagreement with this proposition. It is supported by the critics of the present public programs as well as their defenders. It is supported by those who want a program which pays the same to all older persons, those who want a program which pays in relation to the needs of the individual, those who favor an approach much like the present, and those who want to make modifications of a greater or lesser extent in the present program. It is almost universally true, for example, that those who would do away with our present social security program or make extensive modifications in it, nevertheless, have a plan of their own which uses government for the same ends. Recognition, then, that society must take a fundamental responsibility in this matter is nearly universal and the impracticality of relying solely on private pension plans or individual savings is generally conceded.

The significance of this agreement lies in the backing for public responsibility. Underlying and supporting the economic responsibility of the individual family is the guaranty of income maintenance in old age which we have given each other through our government. Transcending in importance particular programs or provisions of law is the establishment, in practice, of this moral concept of mutual responsibility.

The establishment of agreement on this principle is an ethical accomplishment of great proportions and it is a very recent accomplishment. In western society the belief in the organization of society for the benefit of all is now widely held. Our success in moving toward this goal separates the twentieth century from the centuries which have preceded it just as surely as the threat of atomic war separates this century from earlier ones. Our democracy proclaims the sacredness of human personality and makes the welfare of the individual its reason for existence. It is impossible to understand the universal backing for Government action in the pension field in terms which do not take account of this moral climate.

The drive to make universal the protection furnished through Government is very strong. There is probably more agreement among industry, labor, and experts on the desirability of further extension of old-age and survivors insurance coverage than on any other single issue connected with the system. One of the most significant conclusions to be drawn from the hearings and debates on the 1950 amendments is the interest of the congressional committees in extending the system to those still without protection, mainly farm operators, professional self-employed persons, and certain agricultural and domestic workers.

By and large, the principle upon which the committees worked in 1950 was to extend the program as far as they thought practicable and workable, and to do so, with the proviso that only those should be brought in whose spokesmen were willing to have them come in and that those whose spokesmen objected should be excluded. The largest single group still remaining outside old-age and survivors insurance coverage are the farm operators. This group was not brought in under the 1950 amendments mainly because few individual farmers expressed a desire for coverage to their Congressmen and because the farm organizations were split on the question. The National Grange and the National Farmers Union recommended the coverage of farmers, but the American Farm Bureau suggested that it would be desirable to get some experience with the coverage of nonfarm self-employed before attempting to include farmers in the program.

Apparently Congress would be glad to bring in the self-employed groups still excluded—the farmers and the professional groups—whenever they indicate a strong desire to come in. The system could easily be extended to them under the same arrangements as those now in effect for some 4.5 million urban self-employed persons— small-business men, shopkeepers, and so forth. Only those with net incomes of $400 or more within a year would be covered and they would report once a year when filing their regular income-tax returns.

The reaction of employers, so far, to the present limited coverage of agricultural and domestic workers seems to be such as to argue for further extensions in these areas as well. The Government agencies involved report that employers of household workers have done a conscientious, thorough job. It is not unlikely that household employers would welcome further coverage extensions which would at the same time simplify the provisions of the law. Domestic workers are now covered only if they are paid $50 in cash wages in a calendar quarter and in addition work on each one of 24 days in the quarter. There would probably be considerable support among women's groups and among household workers themselves for a change to the $50 test only.

Extension of coverage in the agricultural area would also result in a simplification of the law. The only general complaint of farmer employers to the present coverage provision, as reported by the Government agencies involved, is that it is complicated. Before an agricultural worker is covered he must be continuously employed by one employer for a calendar quarter. He is then covered in the following quarter if he works 60 full days for the same employer and is paid at least $50 in cash wages. Many farm employers are opposed to covering all seasonal and casual farm labor, but in this area too there would probably be considerable support for relying solely on a cash test of $50 in a quarter.

There is also growing interest in the coverage of clergymen. With coverage of nonprofit organizations on a voluntary basis, there is good reason to reexamine the mandatory exclusion of the clergy.

It would be very desirable to extend coverage of the system to these excluded groups at one time. As a new group is brought in there is pressure to grant either retroactive coverage or, to the older workers in the new group, the same liberal eligibility and benefit conditions which were given to other older workers at the time of the inauguration of the system. The absence of past earnings records makes retroactive coverage impractical for most of these groups. On the other hand, it seems unfair as well as impracticable to grant more liberal conditions to older workers in the new group than to those of the same age who have had some coverage. Usually, therefore, any such liberalization must be generally applied. It is desirable to keep these general liberalizations to a minimum in order to protect the integrity of the system.

Extension of coverage to additional Government employment could more readily be accomplished piecemeal since the availability of earnings records makes at least short-term retroactive coverage feasible. Old-age and survivors insurance can now cover civilian employment in Government if such employment is not under a retirement system, while railroad employment is covered, in effect, under both old-age and survivors insurance and the Railroad Retirement System. Until January 1, 1954, service in the Armed Forces also results in credit under OASI. There remain, however, many problems of coordination between the old-age and survivors insurance system and the state and local systems, the Federal Civil Service System, the systems of the Armed Forces, and the Railroad Retirement plan.

III. There is widespread agreement that the means-test method is a less satisfactory way of providing income for retired persons than a non-means-test program and that the basic public program should, therefore, not include a test of need. There is also recognition, however, that assistance to the aged will continue to be required to meet needs not otherwise met.

Although agreement on this point is widespread, a few have supported a means-test program as a substitute for the present OASI system.[4] It is, therefore, perhaps worth examining why most informed opinion has favored using a non-means-test program to the extent feasible, relying on assistance or relief to supplement but not supplant a basic non-means-test program.

First of all, why is it that the great majority of people prefer to receive retirement pay rather than public assistance or income from any kind of means-test program? One reason is that assistance pays only enough to bring each individual up to a minimum level of living as defined in the particular program. The recipient is not allowed to combine other income of substantial amounts with the assistance payment and in this way secure a higher level of living. The minimum is his maximum as long as he remains under the program. Since the reason for the assistance payment is need—however this need may defined in a given place at a given time—its goal is the prevention of want at the lowest level applicable to all. In a society where varying living standards are the rule and not only comfort but security is conceived of in different terms at various income levels, it is not possi-

[4] See Lewis Meriam, Relief and Social Security, the Brookings Institution, Washington, D. C., 1946.

ble for a means-test program with its ceiling on income to promote a standard of real security.

Retirement systems, on the other hand, have as their purpose not only the maintenance of a minimum standard of living as set by the community, but the underpinning of a higher-than-minimum standard of living for many of the workers under the program. This is inherent in the fact that the retirement benefit is paid without regard to other resources, whether or not the benefit alone would allow a higher-than-minimum standard. A retirement program is not only for the poor but for whoever suffers a loss of earnings through retirement. Old-age and survivors insurance, for example, is now used by practically everyone as the base on which to plan his own retirement. This is much more than a cure for destitution.

Moreover, people feel differently about payments which are service-connected—those which grow out of work—and payments which are made because one has demonstrated that he has insufficient income to live on. Both private and public retirement systems belong, along with wages and salaries, to the group of work-connected payments, and it is this work connection, the fact that it is earned, which gives retirement pay its basic character.

As an earned right, retirement pay, unlike public assistance, is an integral part of the economic incentive system. Under retirement systems, security is earned through work and is additional remuneration for working, while public assistance provides payments without reference to work. Equally important is the fact that in retirement systems the incentive to earn and save throughout one's working life is protected. Although incentives are a complex of many powerful motives in addition to the economic, no system of production can afford to ignore the relation of money payments to economic contribution. Some benefits must be paid on a means-test basis, but it is important from the standpoint of economic incentives that primary reliance be placed on work-connected payments made without regard to need.

Another important reason why there is a general preference for the non-means-test program is that the retirement programs do not divide the community into two groups. Individuals of varying wage levels and varying standards of living receive payments from the same program. The low-paid wage earner, the poor man without possessions, receives payments through the same mechanism as the highly paid salary worker or executive. There is none of the feeling in either the public or private retirement programs, as there tends to be in assistance, that the payments are for the "poor" or the "unfortunate." It is not one part of the community caring for another, but the community meeting a universal need. Everyone has a stake in his earned pension or insurance benefits.

This attitude prevails even though the lower paid worker receives benefits which are a larger proportion of his wage than those of the higher paid worker. The ethics of our system of economics demand that some contribution in work or money be made for what we get, but most of us do not believe that the payments which result from the automatic functioning of the system are necessarily a correct evaluation of the service nor that additional payments for that service resulting from economic regulation are in any sense unearned. The farmer feels he has earned his income even when the price of farm products is artificially maintained, and the worker who gets the minimum wage under the wage-and-hour law is not concerned because his income is higher than the evaluation which would be put on his services by a free market. The minimum wage and the weighted-insurance benefit are earned payments even though the amount is not the same as would have resulted in the absence of regulation.

These three points—that assistance is limited to bringing people up to a community minimum; that the assistance payment is categorically different from other money paid as a right because it is not a reward for services; and that the means-test emphasizes the division of the community into two groups, those who have and those who have not—are limitations inherent in a means or income test. Equally important at the present time, and probably for a long time to come, are differences in public attitudes toward a means-test and a non-means-test program which grow out of the history of the two approaches. In attempting to administer assistance decently and with respect for human beings, the present generation of administrators must continually fight to make clear the distinction between assistance and the paternalistic and punitive traditions of the poor law. Retirement systems bypass this tradition.

Yet there is general agreement that any program which does not pay benefits according to need will require some supplementation through assistance. Whether the benefit is the same for all or related to wages, it will not be enough in some cases of extraordinary need. The flexibility of the assistance method in meeting large expenses, such as medical bills, makes it a necessary supplement to retirement systems. With the present level of benefits payable under OASI, supplementation is necessary in many cases even when need is not extraordinary. There is disagreement, however, over whether it is desirable or not to continue the present Federal-State old-age assistance program indefinitely. Even those who favor its early abandonment recognize that assistance would have to be continued as a supplementary program on a State or local level.

Because of this widespread preference for the non-means-test program, Congress has attempted to make social insurance more effective and to reduce the need for assistance. The provisions in the 1950 old-age and survivors insurance amendments for extension of coverage to 10 million more persons and the liberalization of eligibility requirements and the benefit formula were motivated to a considerable extent by this desire. These changes will considerably reduce the number of people who will need assistance in the future.

Although prior to the 1950 amendments many more people past 65 received old-age assistance than received old-age and survivors insurance, the reverse is now true. As of September 1952, insurance was paying 1 million more persons—3.6 million receiving insurance as compared with 2.6 million receiving assistance. About 14 percent of the aged old-age and survivors insurance beneficiaries also receive assistance.

IV. There is considerable agreement in this country on the desirability of relating retirement pay to previous earnings and on the desirability of having the fundamental public program contributory.

There is more agreement on the desirability of relating benefits to earnings in the basic public program than in certain kinds of private plans, since old-age and survivors insurance covers persons of widely differing incomes. In those private plans, particularly collective-bargaining plans, which cover individuals earning about the same amount, there is not the same need for variable benefits. Although there are strong differences of opinion about the desirability of an employee contribution in private plans, such a contribution in the public program has the support of both management and labor.

It is perhaps desirable to examine why practically all spokesmen for industry and labor are agreed upon the desirability of a wage-related contributory public program, for there is support in a variety of quarters, particularly among the old-age movements such as Townsendism, for flat payments unrelated to previous wages or earnings and varying from year to year according to tax yields or the decision of Congress. (The interest in some quarters in blanketing in *the present aged* at a flat amount is a transitional device rather than a question of principle. This matter is discussed in part IV.)

It is, of course, possible to have a flat benefit program on a *contributory* basis. Great Britain, for example, has such a program. There has, however, been little support for such an approach in the United States. The problem of determining the amount of the flat benefit is a very real one in a country with widespread differences in standards of living. Almost inevitably the flat benefit is either higher than what many persons in poorer communities are used to earning, or it is so low as to be relatively meaningless for middle income and skilled workers.

The noncontributory flat pension has additional disadvantages. Everyone gets it—those who have worked, those who have not—everyone gets the same—those who have made significant contributions to production and those who have contributed very little. Such payments cannot be considered a reward for work. Unrelated to earnings and noncontributory, they are made solely because of membership in a particular age group. They are consequently very difficult to connect with the tradition of earned rights. They operate much more on a bonus principle—a bonus for reaching old age.

From the standpoint of the individual they are inferior to earned retirement pay partly because they give less security. Security is above all an attitude toward the future. It is not only freedom from hunger in the present, nor enough to wear, nor a place to live now, but the state of knowing that what one needs and values will be available tomorrow and the next day.

Nowhere is the current value of protection clearer than in the case of retirement. The middle-aged worker who has his old age provided for through a retirement plan is not merely better off in old age but also better off in middle age. The security which he has is a value to him every day of his working life, affecting importantly his current capacity for happiness. The attitude which people have toward the payment which they will receive and the conditions under which they will receive it is a matter of the first importance; a security system does not give security, even if physical needs are met, unless people know they can count on the payment and feel good about the conditions under which the payment is made.

Under the various noncontributory flat-benefit proposals which have been made in this country, the amount of the payments would depend on the ease with which money can be raised in a given year and on current political considerations. There would be nothing definite for the individual to depend on as part of his own planning for security. In fact, the lack of a proprietary right to a benefit based on contribution and work carries with it the possibility that in time of financial distress an income or means-test might be introduced. After all, no one would have earned or paid for his benefits directly, and a cogent argument could be made against paying from general sources benefits to those able to maintain themselves on their own. The amount of the benefit, the conditions under which it would be paid, and, in fact, whether one would receive a benefit at all would be in continual doubt under these proposals. This uncertainty has even been put forward as a virtue by some advocates of this approach on the grounds that their proposal avoids commitments for the future. Quite obviously, no commitments, no security.

The contribution in the public program is an important factor in backing up the concept of an earned right. The contribution dramatizes the worker's direct interest in the fund. It makes clear to him, and to other people as well, that he should have a say in the planning and protection of the system from either undue liberalization or restriction. In the public program a direct earmarked contribution paid by the worker, or on his behalf, is probably an essential accompaniment of a benefit related to past wages or standards of living. A noncontributory program would in all probability have to pay either flat benefits or benefits varying according to the need of the individual.

The basic character of a retirement system, however, is not dependent on having the contribution of any given worker cover the value of the protection which he receives. Although, in the long run, most workers under old-age and survivors insurance, for example, will have paid a very substantial part of the cost of their own benefits, this is not true of those now on the rolls or of those retiring in the near future. As in private contributory plans, these older workers are in effect given credit for past service and the past-service part of the benefit is financed from employer contributions. The system derives its basic character as an earned payment from the fact that the payment grows out of work and that both eligibility and benefit amount are related to past earnings, rather than to whether an individual has "paid for" his protection with an earmarked contribution. The fact that there is no employee contribution at all in the private plans covering a majority of workers under such plans does not make the retirement benefit any less of an earned right. The significant fact is that the payment grows out of work.

The contributory requirement in the public program also introduces a degree of responsibility on the part of the potential beneficiary. As, in the future, the proportion of the aged in the population increases, it is of great importance that those covered by the program see the relationship between benefit and contribution. The best way to make this clear is through an earmarked tax on the potential beneficiaries of the program designed to meet a substantial part of the cost of the system. The concept of actuarial soundness acts as an effective brake on pressures for higher benefits.

In the private sector it is quite possible that in the future we will find unions more willing to accept plans which provide for some worker contribution, particularly if there were a change in the tax laws which allowed such contributions to be deducted from taxable income. Where the employer's responsibility for financing a minimum amount of security has been established, the unions might, in seeking improvements, be willing, over time, to accept some employee contribution. Certain types of improvements, such as the establishment of vested rights for the worker who changes jobs, would probably be easier to secure under a plan which was partially contributory.

It is also possible that, where a minimum plan has already been agreed to, the unions will put somewhat more emphasis on variation in benefit amount as related to both wage level and length of service. As the unions press for shorter service requirements for benefit eligibility, they will find it difficult to win the benefit amount for the short-service man which they could win for the long-service man. It is better to pay the short-service man something than to insist on such a high flat level of benefits that the plan can afford to pay only those who have had very long service.

In any event, benefit differentials in the public program will continue to be important. With a benefit related to wages, as contrasted with general bonus payments to all the aged, the dilemma of security versus incentives is to a large extent resolved. The worker earns the right to security as he earns his wages, through work, and he earns more security the more he works and the greater his contribution to production. As stated by the 1948 Advisory Council on Social Security to the Senate Finance Committee:

> Differential benefits based on a work record are a reward for productive effort and are consistent with general economic incentives, while the knowledge that benefits will be paid—irrespective of whether the individual is in need—supports and stimulates his drive to add his personal savings to the basic security he has acquired through the insurance system. Under such a social-insurance system, the individual earns a right to a benefit that is related to his contribution to production.[8]

V. There is widespread acceptance of the idea that private pension plans are desirable as supplements to the public program.

Private pension plans serve many specific purposes that cannot be adequately served by a general public program. Regardless of the level of benefit as under the public program, in some occupations and some industries it will continue to be desirable to encourage people to stop work or to shift to another occupation at an earlier age than 65. For jobs such as those of policemen, firemen, and soldiers, for example, it would be desirable to continue lower retirement ages even though these jobs were to be covered by the general plan. This is true in general for particularly hazardous occupations or perhaps for a whole industry when a large proportion of jobs in that industry require great physical stamina. Moreover, for those in top executive jobs and

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[8] Old-Age and Survivors Insurance, a Report to the Senate Committee on Finance From the Advisory Council on Social Security, S. Doc. 149, 80th Cong., 2d sess., 1948, p. 1.

for supervisory personnel in certain lines of work, many managements will want to facilitate retirement or a shift to another job by paying retirement benefits much higher than can be paid by the general system.

Even when there are no special conditions which require the establishment of a private pension plan supplementary to the public program, such a plan may be desirable. OASI benefits are low. At approximately the average wage now being earned in heavy industry ($250 per month), the public program will, in the near future, be paying $77.50, or 31 percent of previous wage, for the single man; and, if he has a wife age 65, $116.30, or 47 percent for the couple. For those with above-average earnings the replacement of previous wage is much less satisfactory. The $400-a-month worker (who pays taxes and gets credit on only $300) will get $85 if single and $127.50 with an eligible wife. This is 21 percent and 32 percent of previous wage, respectively and falls far short of usual retirement pay goals.

Even if old-age and survivors insurance were to be considerably liberalized, it is extremely doubtful that it would pay benefits high enough to satisfy the managements of the more successful companies or high enough that trade-unions would be willing to drop pensions from collective bargaining. Realistically, the question with which we are faced is more one of the extent to which private plans should supplement the public programs rather than whether they should do so.

Both management and labor now have an interest in the continued existence of supplementary private plans. Until recently management has been most concerned. The justification for the establishment of private pension plans has been that they furthered the interests of a particular company by, on the one hand, attracting and holding good employees and, on the other, making it easier to retire, usually at a fixed age, those who were most likely to be unproductive. Above everything else, the goal of private pension plans was to assure a particular company of a relatively young labor force and young, aggressive leadership and to accomplish this in a way which would promote rather than harm public relations.

With the widespread extension of coverage to hourly workers and with the development of union interest, these traditional objectives have come in for considerable criticism. By and large, the unions are not particularly sympathetic to the view that retirement plans should hold workers to a particular employer or that it is desirable to facilitate retirement at a fixed age. On the other hand, some unions consider the negotiated pension as an additional tie between the worker and the union that helps to retain membership, and these unions promote pensions for this reason.

As long as our resources make it possible, there is little doubt that private initiative will continue to foster plans supplementary to the broad base of the public program. Not only is this a good thing for the workers covered, but pension planning as a whole will progress faster because of the existence of the private plans. In the private sector innovation and experimentation is possible to a much greater extent than in the public sector. It may well be true in the pension area, as it is in many other fields of activity, that ideas first developed by relatively small groups of individuals, acting on their own, are later given a broad application through the programs of government.

Although there is widespread agreement on the desirability of supplementary private plans. there is also an awareness of their limitations and an awareness of the possible dangers which lie in certain features of some plans. Thus the emphasis has been on a universal public program, with private plans filling a subsidiary role. Very few persons have argued that private plans can or should do the whole job.

The unions, management, and experts alike have pointed out the difficulties which arise in private pension planning because each plan covers only a given employer, industry, or group of employers within a locality. They have pointed out that private plans may lack the security of the public program because employers may go out of business or be forced to terminate the plan. They recognize the difficulty of funding in a way which allows for increases in benefit amount as productivity rises, and they recognize that in some industries it is very difficult, if not impossible, to secure adequate pensions through private planning alone. Some among management have feared the nature of the long-range commitments which they must make in bargaining on private pensions and the fact that the commitments must be met in bad times as well as good, under unfavorable tax conditions as well as favorable conditions. Many have therefore preferred to keep the need for private supplementation relatively low through dependence on an adequate public program.

Perhaps the most serious charge which can be brought against private plans is that certain types of plans can bind the worker to a particular company or union and rob him of some of his independence. With his pension at stake the worker may be afraid to change jobs or, if there are discretionary features in the plan, he may stay on but modify his behavior to suit those who control pension policy. Fortunately, most plans do not have discretionary features. Pensions are more and more an absolute right and not lost because the worker does something of which management or the union disapproves.

The very size and impersonality of Government make this danger less real in the case of the public program. It is nevertheless a potential danger there, too. A government which wished to control behavior and buy allegiance to a particular code could use a discretionary pension system for this purpose. Hitler did.

It is true then that there are difficulties and dangers in both private and public plans. They are not perfect institutions. On balance, however, they solve more problems than they create and in all probability a broad public retirement system with supplementation by private plans will continue to command wide allegiance. The question for the future will be not so much whether we are for pensions or against them, but how can we plan for the security and protection of aged persons in ways which minimize the disadvantages and promote freedom and independence of action.

PART III

THE ECONOMICS OF PENSIONS

The economic security of the retired aged, like the security of us all, depends on the success of industry in producing an increasing flow of goods and services. But, a high level of production alone will not prevent insecurity for the individual. It is necessary, as well, to have institutional arrangements such as pensions to make sure that all have the continuing right to share in consumption after retirement. There are thus two basic factors in the provision of economic security—production and the institutional arrangements for income maintenance.

These two factors are to a considerable extent interacting. Not only does the production potential of a country establish the outside limits of what is possible in the provision of goods and services to the various groups of consumers but the nature of the arrangements for income maintenance may themselves have something to do with the level of production.

Pensions are a device for making sure that the retired aged will have income when they need it. The justification for pensions lies in the security which they give the individual. Nevertheless, in considering the design of pension arrangements it is important to consider their probable effect on total production. They may be justified as security measures even if they were to have a depressing effect on the volume of production, but it is certainly desirable to keep any factors which inhibit production to a minimum and to promote factors which are favorable to a large volume of goods and services.

This section of the report will consider some of the economic effects of pension arrangements and will raise those economic questions which seem most deserving of further study.

IS OUR STANDARD OF LIVING THREATENED BY THE INCREASE IN THE NUMBER OF THE AGED?

Probably the most fundamental economic question connected with the growth of the aged population is whether the flow of goods and services going to the retired aged will be so great in the future that the gainfully employed will find it difficult to produce enough for the aged and at the same time have enough for themselves, their children, and their wives. As indicated earlier, it is extremely unlikely that the percentage of persons working past the age of 65 can be very much increased. There seems to be little doubt that the growing proportion of aged in the population will mean an increasing number of retired aged in relation to the number of gainfully employed. Alarmist stories of what this situation is supposed to do to the community standard of living are familiar to all.

It does not appear, however, that there is any real basis for alarm. The relative sizes of the groups of those gainfully employed and those not gainfully employed *is* one of the basic determinants of the volume of goods and services available per person. The larger the number of persons not gainfully employed in comparison with those who are, the greater the number who must share in consumption in relation to the number there are to produce what is to be consumed. But those over 65 who are not working at present make up only a little over 10 percent of all persons not gainfully employed. Children under 18 make up over half of those not in the labor force, and housewives nearly one-third.

The percentage of retired older people among those not gainfully employed will almost certainly grow over the next 25 years, but the ratio of all persons not gainfully employed to those gainfully employed at the end of that time will be about the same or even improve. The trend over a considerable period of time, as shown in Table III, has been in the direction of fewer and fewer nonproducers in relation to the gainfully employed.

TABLE III.—*Non-producers in relation to the gainfully employed*

Year	Persons not gainful workers per 100 gainful workers	Aged persons not workers or wives of workers as percent of all persons not gainful workers	Year	Persons not gainful workers per 100 gainful workers	Aged persons not workers or wives of workers as percent of all persons not gainful workers
1870	209	1.9	1920	149	4.2
1880	189	2.3	1930	152	5.0
1890	170	2.8	1940	140	7.9
1900	161	3.2	1950	137	9.4
1910	147	3.7	1952	135	10.0

What the population picture will be 25 years from now is, of course, uncertain. It is possible, however, to predict with some confidence the approximate number of persons who will be 65 and over and the approximate number who will be of working age and under 65, since most persons who will be in these groups have already been born. Migration is not likely to be an important factor. What uncertainty there is arises primarily from the possibility of significant changes in mortality rates.

There is considerably greater uncertainty about the size of the dependent child population, because the birth rate over the next 25 years is more difficult to predict than mortality rates. There is also uncertainty about the size of the gainfully employed group, because no one knows whether the average age at retirement will be higher or lower than at present. Moreover, it is uncertain to what extent women will participate in gainful employment during the next 25 years and at what age young people will begin work. Reasonable assumptions on these doubtful points, however, still lead to the conclusion that the total number of nonworkers per active worker will probably not increase over the long range, or if so by only a slight amount, but it is more likely that there will be a further moderate long term decline. Over the next few years, however, there may be some increase in the ratio because of the very large number of births since 1945. The effect of these births on the labor force will not be felt until about 1960–65 but in the meantime they tend to raise the ratio by increasing the number of nonproducers. Any increase over the long range that might occur would arise only if birth rates are very high continuously or if employment conditions become very unfavorable so that many persons drop out of the labor force. In 1975 the ratio of nonworkers to workers will probably be very much as it is today or even somewhat more favorable, perhaps 120 to 130 nonproducers to 100 workers (and certainly no more than 140 to 100) as against 135 to 100 today. By then, however, assuming the same rate of retirement as today, the nonworking aged will probably represent not 10 percent of the nonproducers as they do now, but 13 percent.[1]

Since older persons who can work by and large seem to prefer to, it is highly desirable (assuming full employment for younger workers) to increase production by giving as many of the aged an opportunity to work as possible. The population picture, however, is not such as to cause alarm if we are successful in continuing to employ as large a proportion of the aged as at present. It would, of course, be a significant loss to the economy if in the future an even smaller proportion of the aged were to work. If, for example, retirement at age 65 became general, the group requiring pensions in 1975 would be perhaps 20 million (including 1.5 million more wives) instead of 14 million and the national product would be reduced during periods of full employment by the extent of the contribution of about 4.5 million workers.

Not only may there be somewhat fewer nonproducers per worker in 1975 but almost certainly each worker will be able to produce more. This has been the trend over the last 100 years and there is every reason to believe that it will continue.

The increase in the productivity of workers comes about largely because of an increase in the amount of capital equipment which the worker can command and improvements in management and the methods of using that equipment. The best available estimates indicate that over the past several decades, the average increase in output per man-hour has been more than 2 percent per year.

In the fiscal year 1952, the national income was about $285 billion. On the assumption of a 2 percent per year increase in productivity and a 1⅓ percent per year increase in the labor force, the national income in 1975 would be about $600 billion in terms of 1951 prices. This would mean a per capita income of $3,000 (1951 prices) as compared with the present per capita income of $1,830.

It is quite clear that if we are at all successful in continuing economic progress, our standard of living is not threatened by the growing number of retired aged.

WHAT IS THE SIZE OF THE PENSION COMMITMENTS WE ARE MAKING?

Although our standard of living is not threatened in absolute terms by pensions, it is still possible that "too much" of the future national income is being committed to retired persons in comparison with the rest of the population. Are the pension commitments which we are

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[1] Based in part on information contained in Long-Term Projections of the Labor Force, a paper by Harold Wool presented to the Conference on Income and Wealth of the National Bureau of Economic Research, May 25, 1951, and A Projected Growth of the Labor Force in the U. S. Under Conditions of High Employment: 1950 to 1975; Current Population Report, Labor Force, U. S. Bureau of Census, Series P-50, No. 42, December 10, 1952.

making for 1975 to the 14 million or so aged nonworking persons reasonable when measured against a $600 billion national income?

In one sense this question cannot be realistically considered in terms of present dollar commitments. If we achieve a $600 billion national income in 1975 (1951 prices), pensions will undoubtedly be more liberal in order to reflect the higher standard of living.

Although there have been occasional sharp ups and downs, the general trend of wages and the level of living has been upward throughout the history of the United States. This long-range trend of money wages and the standard of living will undoubtedly continue to be in this direction during the next quarter century. The future price trend is less certain but it is likely to be upward.

The dynamic character of these fundamental economic factors creates serious problems for pension planning. A worker and his employer start contributing toward a retirement benefit when the worker is a young man, but when he reaches age 65 he will find that the money amount which seemed adequate at the time the system was established is now completely insufficient.

There are two different factors present here. If the price level has risen it means that the same money amount at a later date will not buy as much as it would when the system was planned. Even if prices did not rise, however, the amounts would still be considered inadequate because the general standard of living of the community will have risen. What were once considered luxuries become necessities and a content of living which seemed adequate in 1900 was below the poverty line in 1950. It is not enough, therefore, for pensions to maintain a constant purchasing power. They must keep pace in the long run with the rising standard of living.

It is extremely unlikely that the dollar benefits which would result from present commitments will keep pace with a rising level of living. This would happen only if there were a sufficient drop in the price level to reflect the increases in productivity. It is much more likely that the dollar benefits now promised will have to be increased.

It seems best, therefore, to measure pension commitments for 1975 on two different bases, (1) assuming as a minimum the maintenance of the purchasing power of benefits, and (2) assuming liberalizations sufficient to keep up with a rise in real wages. Legal commitments of course may well be lower than is shown by any of these estimates. If one were to assume a rising price level over the next 25 years and pension payments were not increased enough to maintain their purchasing power, then pension payments as a percentage of national income would be lower than indicated in any of these estimates.

The validity of the dollar estimates which follow are dependent on the achievement of a $600 billion national income. This is not true of the percentage figures which are, perhaps, the more significant. If productivity increases less than has been assumed, then pensions will not be liberalized as much as they otherwise would. The national income will also be smaller, however, and, in that event, pensions might represent about the same percentage of the lower national income as liberalized benefits might represent of a much higher national income.

On the basis of maintaining the 1951 purchasing power promised in the present law, the old-age and survivors insurance program will in

1975 be paying about 10 million persons past 65 approximately $8 billion (1951 prices) or 1.2 percent of a $600 billion national income.[2] Assuming that the program is constantly liberalized to keep up with a rising level of living and that its coverage is extended to include all employments not now covered under any Government plan, it will be paying in 1975 about $14 billion, or 2.3 percent of the estimated national income.

All other Government retirement plans will be making to those 65 and over payments of about $2.5 billion (0.4 percent of the national income) on the assumption of guaranteeing the purchasing power of present provisions, and about $5 billion (0.8 percent of the national income) under the assumption of adjustments taking into account a rising level of living.

It is much more difficult to get an idea of the commitments being made through private plans, but they may be of this general magnitude: under the assumption of a guarantee of purchasing power—$600 million, or 0.1 percent of the national income in 1975; under the assumption that benefits will be constantly liberalized to reflect a rising standard of living, that eligibility conditions will be greatly liberalized, and that coverage will be gradually increased from the present 15 percent of the labor force to over half of the labor force by 1975, $3 billion, or 0.5 percent of the national income, would be the figures.[3]

Taking all the retirement plans together, a guaranty of purchasing power might result by 1975 in retirement pay representing 1.6 percent of the national income. With benefits constantly liberalized to keep up with productivity increases and with greatly expanded coverage, retirement pay in 1975 might represent 3.7 percent of the national income.[4]

There would seem to be little point in hazarding a guess concerning the level of retirement pay in periods even more remote than 1975. It is possible that sometime after 1975 the American economy will be adversely affected by a depletion of major natural resources and a failure of invention and imports to provide adequate substitutes. We are, for example, using up our easily available oil resources at an extremely rapid rate and conceivably even coal and iron might be scarce in the next century. The rise in the level of living, which short of atomic war seems reasonably certain over the next 25 years, could be reversed in the long run. On the other hand, the development of new sources of power such as atomic energy might mean a rapid acceleration in the rate of productivity increases. We may be sure, in any event, that radical changes in the productivity of the economy in the remote future will call for adjustments in retirement pay.

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[2] All estimates for old-age and survivors insurance used in the report are based on the intermediate cost assumptions used in the actuarial cost estimates for that program. There is, of course, a wide range of possible costs for this program depending on the assumptions used. (See p. 67.)

[3] The $600 million figure is based on, (1) the population, and thus the coverage under private pension plans, increasing at the rate of 1 percent per year, and (2) the present 4 percent ratio of pensioners to coverage gradually increasing to 8 percent by 1975 with no change in average benefit (because of the gradually increasing payments under "insured" and "final salary" plans being counterbalanced by the greater number of pensioners under "offset" plans which have lower pensions). The $3 billion figure is based on, (1) new coverage in 1975 being three times the present coverage, (2) the ratio of pensioners to persons covered for such new coverage being 4 percent in 1975, and (3) the average pension to be double that now in effect (in order to reflect the rise in standards of living, as indicated by the assumed increase in productivity).

[4] Because of rounding the figures, the total for all types of plans together differs from the sum of the percentages for the individual programs.

WHAT IS THE EFECT OF PENSION ARRANGEMENTS ON THE TOTAL VOLUME OF PRODUCTION?

First of all, are there factors in some retirement plans which may have an adverse effect on the total volume of production? Although no quantitative measurement is possible, the answer to this question is in the affirmative. Certain plans may adversely affect the employment of older workers and the mobility of labor.

Effects of present pension arrangements on the employment of older workers

If pension arrangements are such as to decrease the employment of older workers and if, as a result, the total number of persons at work is reduced, there is a decrease in production which can be attributed to pensions. It is easy, however, to exaggerate the loss of production associated with the failure to employ all older workers who seek jobs. Older workers are, of course, only one group among several whose capacities are frequently under-utilized. Industry may also fail to employ fully the handicapped, women who seek work, racial minorities or other groups. In the recession phase of the business cycle, older workers may be employed in place of other workers and under such circumstances production is not lost by laying off the older person. Nevertheless, attention should be given to the effect of pension arrangements on the employment of older workers. Pensions may affect the employment of older workers either through being a barrier to their employment or through encouraging retirement at an earlier age than is necessary.

The extent to which private pension plans discourage the hiring of older workers is largely a question of whether or not the older person seeking work brings with him to a new job substantial retirement rights. In hiring an older worker who does not already have rights to a deferred annuity, the employer is faced either with the expense of providing a pension greater than his responsibility to the worker on the basis of length of service would justify, or with the onus of later retiring him on an inadequate pension. The employer's solution of this dilemma may be not to hire the older worker at all. However, since all industrial workers now bring with them to the new job substantial retirement rights under old-age and survivors insurance, lack of early vesting probably has less effect in many private plans on the hiring of the older worker than before the 1950 amendments to the Social Security Act. It is now possible for employers to grant to older workers pension rights commensurate with remaining years of service, or for that matter no private plan rights at all, without running as grave a risk of community censure. Private pensions, then, are no longer necessarily a barrier to the employment of older workers, although in practice some employers may refuse to hire those who are beyond the age of eligibility for retirement plan participation. It would be highly desirable to study the detailed operations of private plans with a view to determining how best to eliminate those factors which may still have an undesirable effect on the employment of the older worker.

It would also be desirable to know to what extent, if at all, the granting of private pensions results in encouraging employers to retire those who are able to work and in encouraging workers to retire even though employers are willing to keep them on. Moreover, how many of those who retire from their regular jobs take up some other kind of gainful employment? In other words, to what extent does the pension actually result in fewer older people making an economic contribution and to what extent does it merely provide income for those who would not be in employment anyway?

In the past, private pension plans have been associated with a policy of compulsory retirement at a fixed age. In a study of pension plans in Minneapolis conducted by the University of Minnesota Industrial Relations Center in the spring of 1950, it was found that "of the nonpension firms 93 percent keep on 'most or all' hourly employees, and 87 percent keep on 'most or all' salaried employees after 65; but of the pension firms only 33 percent keep on 'most or all' hourly paid and only 26 percent keep on 'most or all' salaried employees after 65."[5] To what extent can a flexible retirement age be introduced into these plans?

As indicated in part I of this report, experience under the public program so far indicates that workers past 65 generally prefer to continue in employment if they are able to do so in spite of the availability of retirement benefits in the amount now payable. Preference for work rather than retirement is perhaps less categorical where part-time employment is involved. It is true that some individuals may, under the present old-age and survivors insurance retirement provision, refrain from taking or increasing the amount of their part-time employment because the earnings would exceed $75. A part-time job, if it nets earnings barely more than retirement pay, may not be worth taking from the beneficiary's point of view if it means losing the retirement benefit. For this reason, the amount which an individual can earn before his benefit is suspended should be high enough to permit part-time employment without penalty. It should not be so high, however, as to create a preference among any large number of people for part-time jobs over full-time employment.

There is no evidence to indicate that the retirement test in old-age and survivors insurance has caused any significant number of people to forego employment in order to secure benefits. The elimination of the retirement test on these grounds would, therefore, be inadvisable and would greatly increase costs. If old-age and survivors insurance paid an annuity at age 65 without regard to employment, it would be paying benefits in 1975 not to 10.5 million persons 65 and over, but to 12.5 million. The additional benefits would go, by and large, to persons who were still earning as they had at younger ages.

Possible effect of pension plans on the mobility of the labor force

Pension arrangements would also have adverse effects on production if they were to inhibit a desirable degree of mobility in the labor force. It is important that many workers be willing to change jobs. New industries can be developed only with the help of workers from older industries. Without geographical and industrial mobility among American workers the development of the automobile industry, for example, would have been impossible. From the standpoint of the public interest and to promote the welfare of the individual,

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[5] Harland Fox, Utilization of Older Manpower, Harvard Business Review, November 1951.

we should in general encourage workers to try out at better jobs in which they may be more productive. We should not put grave penalties in the way of enterprise and initiative.

Some private plans, particularly those without vesting privileges, set a very high price on a worker changing his job. This is particularly true of older workers who have been with a company for a long period of time. Under many plans the worker gets nothing if he leaves before retirement age and, in leaving, may forfeit pension rights worth $10,000 to $15,000.

Some plans are purposely designed this way as a method of holding experienced workers. Other plans omit all provision for vesting, not in order to hold workers but in order to keep down the cost of the plan. If the plan pays only those who stay on and gives nothing to those who leave, it may cost only a third as much as a fully vested plan would cost. The collective bargaining plans, for example, generally do not have vesting because the unions were interested in securing as high benefits as possible with the funds available for those about to retire at the time the plans were inaugurated.

The provision of early vesting is desirable from the standpoint of the worker and the economy. Many companies, too, now believe that they gain more in high morale by a generous policy of vesting than they would gain by holding workers through the design of the pension plan. The worker who stays on because of the promise of a pension is not always the one the company wants most to keep. In addition to high costs, perhaps the biggest barrier to the widespread adoption of early vesting is the frequent lack of interest on the part of young workers in deferred annuities—if there is something coming to them many want the cash when they leave the employer—and the feeling on the part of a group within management that the company has little obligation to the worker who leaves of his own free will.

The degree to which those private plans without substantial vesting inhibit a desirable degree of mobility among the working force, depends to a considerable extent on the adequacy of the public plan which does follow the worker from job to job and the amount of additional protection furnished by the supplementary private program. If nonvesting private plans supplied most of the retirement income or if there were no public plan at all, the effects of private plans on mobility might well be considerable. Under present arrangements, however, where in mass production industry the public pension will supply from one-half to three-fourths of the retirement income for hourly workers, the effect is considerably weakened. Under these circumstances, other factors such as the security of employment and other special privileges of seniority are probably, in most instances, more important than pension rights in determining whether or not a worker is willing to leave a given employer.

Nevertheless, pensions when added to other factors may have an inhibiting effect on the willingness of a significant number of older workers to change jobs. To determine the extent to which this is true would require considerable research and study. Any such study should include the various Government programs. Nonvesting State and local government plans may act as a barrier to mobility to an even greater extent than private plans since, under these Government systems, the workers do not have the basic protection of old-age and survivors insurance. For Government workers, a change to another kind of job may have even more serious effects on pension rights than in the case of industrial workers.

The fact that certain jobs are not covered under old-age and survivors insurance may also prevent some workers from taking those jobs. The lack of coverage might result in a significant loss of production.

To what extent do retirement systems contribute to a greater national product?

To the extent that contributions to pension plans result in a reduction of expenditures that would otherwise be made they increase saving in the aggregate. It is recognized that at certain periods in the business cycle an increase in saving may create difficulties and require countermeasures. In the long run, however, it is likely that a higher rate of saving will facilitate the financing of an expansion in productive capacity. An increase in productive capacity will in turn permit a greater increase in production and the future standard of living. The effect of an increase in pension funds on investment is most clearly recognizable when the funds of private pension plans are invested directly in additions to productive enterprise. The same effect may also occur indirectly when the funds are invested in existing stocks or obligations of corporations or in Government bonds. In these cases funds will be released for new private investments if and when a demand for additional funds exists.

It is very difficult, however, to determine the extent to which pensions in the future will be financed from savings which would not have been made in any event for some other purpose. This is an important matter for further investigation. It is significant that in pension systems we are dealing largely with forced savings and savings dedicated to a specific purpose, a purpose, incidentally, for which people have not saved on a large scale in the past. Moreover, there are indications that a widespread public insurance program actually increases the interest of people in saving on their own and in buying private insurance. Coverage by a social insurance system brings adequate provision for old age within reach and gives people an incentive to add private savings and insurance. Without social insurance many would see little hope of avoiding dependence on relatives and old-age assistance. All in all, it is not unlikely that in spite of retirement systems people will want to accumulate nearly as much in individual savings as they would have otherwise.

Less tangible, but nonetheless real, are the contributions to production which pensions can make in other ways. Retirement plans can help to keep industrial leadership aggressive by making it easier to retire the unfit among the aged and thus promote young men of promise. In the same way, to the extent that pensions make for a healthier, happier labor force by relieving current workers of a source of worry, they undoubtedly make an indirect contribution to production. (Some plans, however, may have the opposite effect. In requiring long years of service they may make the employee too dependent on a particular employer and a particular job.)

Contrary to popular impression, certain kinds of retirement plans—those which do not tie a worker to a particular job—promote risk-taking. With basic protection assured, workers and self-employed persons are more, rather than less, likely to take chances, to try out new jobs, to start new enterprises. It is one of the functions of insurance of any kind to spread a risk and so make it bearable for the individual; he can then afford to take a chance. It is a mistake to assume that insurance and social security arrangements promote caution. They are much more likely to promote enterprise and risk-taking—factors greatly needed in our economy. As stated by the Advisory Council on Social Security to the United States Senate Committee on Finance, "A properly designed social-security system will reinforce the drive of the individual toward greater production and greater efficiency, and will make for an environment conducive to the maximum of economic progress." Moreover, as the Council pointed out, "* * * the very success of the economy, while creating opportunities, also increases risks. Hence, the more progressive the economy, the greater is the need for protection against economic hazards."[6]

An increasing volume of goods and services is dependent not only on the availability of raw materials, capital equipment, improvements in the organization of industry, and skilled and willing manpower, but also on the ability to employ fully the productive resources available. In the past we have periodically failed to achieve reasonably full use of our economic resources.

One factor in the prevention of depression periods or in mitigating their severity is the effectiveness of institutional devices for maintaining consumer demand. Recessions deepen into depressions partly because some unemployment causes additional unemployment as more and more persons are unable to buy what the economy can produce. Insofar as pensions give a large segment of the consuming public an assured regular income which is independent of the business cycle, they have a steadying effect on demand. Moreover, the availability of pensions for older workers who become unemployed and later drop out of the active labor force altogether compensates in part for the loss of earned income. Pensions then will, at certain phases of the business cycle, add to the total volume of production through maintaining purchasing power and thus employing otherwise idle manpower and capital.

All things considered, it is unlikely that existing pension arrangements have an adverse effect on the total volume of production. It is more likely that the effect is favorable.

IS THE BURDEN ON THE COMMUNITY OF CARING FOR THE AGED GREATER OR SMALLER THAN IT WOULD BE IN THE ABSENCE OF PENSIONS?

Pension commitments do not, of course, measure the increase in the flow of goods and services going to the aged as a result of pensions. In the absence of organized plans, those who retire in the future would, in most cases, obtain at least the goods and services necessary for a minimum level of living. To a considerable extent they would be supported by children and other relatives and by the community through public assistance.

It is likely that retirement systems will result in the future in a larger proportion of retired persons obtaining a level of living above

[6] Recommendations for Social Security Legislation, the Reports of the Advisory Council on Social Security to the Senate Committee on Finance. U. S. Government Printing Office, Washington, 1949, p. 1.

a bare minimum than would be true without such systems. (With or without retirement systems, some retired persons, of course, will secure a higher than minimum level of living as a result of individual saving.) The absence of a means test in old-age and survivors insurance and the relatively high level of benefits paid by some private systems makes this probable. How much of an increase in the flow of goods and services going to the aged can be attributed to pension arrangements cannot be accurately determined.

Retirement systems are not necessarily a burden to the community, however, even to the extent that they increase the flow of goods and services to the retired group over what it would be in the absence of pensions. They constitute a burden to the community only insofar as others must limit their consumption because the pensioners are getting more than they would in the absence of pensions. To the extent that the increased flow of goods and services going to pensioners is the result of increased production brought about by the pension arrangements themselves, there is no additional burden to the community. Moreover, to the extent pensions are paid for by the earlier contributions of pensioners, either direct or indirect, the pension arrangements would not require a reduction in consumption on the part of others.

Employee contributions to retirement funds, whether public or private, are in the nature of savings and the incidence of the contribution probably remains where the contribution is first imposed. The final incidence of the employers' contribution—whether on the worker in the form of lower wages, on the consumer in terms of higher prices, or on the owner because of lower profits—depends on the interaction of a variety of factors. The nature of the market for the product will determine the extent to which demand falls off if the price is raised and thus controls the ability of the employer to pass his contribution on in the price. Is there a strong labor union which makes it difficult to pass on the contribution as a lower wage? Will establishment of a pension fund and the employers' contribution be a substitute for a larger increase in wage rates which would have had to be granted in the absence of a pension plan? What is the degree of competition in the industry? What are the Government's wage and price policies? Perhaps all that may be safely said about the final incidence of the employer's contribution is that, in general, it does rest in part on the future pensioner in his role as wage earner and consumer. Taking into account both the employer and employee contribution, it may be said that to a considerable extent future pensioners are paying for their pensions by current reduction in expenditures.

Considering the extent to which pensions are financed by the earlier savings of pensioners and considering the contribution which pension arrangements make to production, it is not unlikely that retirement systems result in less of a burden on others in the community than would exist in the absence of these systems.

PROBLEMS OF FUND ACCUMULATION

At present, the most significant economic characteristic of private pension plans is that they are primarily a method of collecting money now in order to pay benefits later. Most plans are relatively new so that there are few pensioners, probably only about 350,000 age 65 and over in the whole country (500,000 when the wives 65 and over are counted as recipients), but money is being set aside for the future retirement pay of many millions of current workers. Ultimately, the money going to retired workers in pensions may exceed that being set aside for current workers (the difference being made up by earnings on the accumulated funds). For the next few decades, however, pension payments will represent a relatively small proportion of what private industry sets aside to cover future payments. In 1951, as indicated in part I, perhaps $300 million was paid out in private pensions, including amounts paid to retired workers under 65, but about $1.8 to $2.0 billion was added to pension funds. What will be the probable size of this fund accumulation in the future, what will be its effect on the capital markets, and how effective will these funds be in providing future old-age security?

It is very difficult to make a reasonable estimate of what the rate of private fund accumulation will be, for many of the factors which enter into the estimates are highly uncertain. Some factors tend to decrease the rate of fund accumulation and other factors tend to increase the rate. Factors tending to decrease the rate include an increase in the number of pensioners as plans mature, an increase in benefit amounts to keep up with current wage and cost-of-living levels (which is more than offset, however, by higher contributions required if fully funded), and a decrease in funding for past service as these costs are gradually amortized. For example, a plan which cost 12 percent of pay roll during the first 12 years when past service credits were being funded might cost only 7 percent of payroll thereafter. Moreover, at present with taxes high there are advantages in funding generously and for funding past service credits within the shortest period in which the amount may be taken as a tax deduction (approximately 12 years). Under less favorable business conditions or with lower taxes the rate of funding could be considerably reduced.

Factors tending in the opposite direction include the need for additional funding as benefit amounts are increased (including additional funding for past service credits), the establishment of new plans, the meeting by more workers of minimum eligibility requirements for participation which are included in some plans, increased earnings as the funds build up, and, in those plans geared to wages, increased funding required by a rising wage level. It is perhaps not unreasonable to assume that over the next decade these various factors may offset each other. On the basis of 1951 prices, the average yearly increase in private pension funds during the next 10 years may well be around $2 billion or somewhat more. Together with interest, this would result in aggregate reserves of $33 to $39 billion a decade in the future as compared with present reserves of about $12 billion.

Under the present tax schedule, the excess of income over outgo in old-age and survivors insurance will average an additional $2 billion per year during the next 10 years, varying from about $1.5 billion in 1953 to $2.5 billion in 1960–62. Other Government programs will average about $1 billion additional per year, making the average yearly total of excess of income over outgo for all plans, public and private, about $5 billion. During inflation the accumulation of these funds has been convenient but, of course, the opposite will be true during a period of deflation. The impact of these funds in a deflationary situation is, therefore, an important area for study.

The effect on the capital markets of $5 billion a year of new funds is an additional major area for exploration. At present much of the basic information needed for analysis is lacking. Quantitative information on private pension funds and their investment is to a considerable extent not available. Analytical studies of current investment practices and comparative earnings are also needed.

Among the questions which should be studied are the following:

1. Will pension funds continue to be invested in Government and industrial bonds to the same extent as at present, or will a larger proportion be invested in equities?

At present about two-fifths of the private pension funds seeking investment in a given year are insured funds. Almost none of these funds is invested in equities. A growing emphasis on maximizing income and a desire to protect the fund against the effects of inflation have led to increased equity financing among trusteed plans. A recognition that pensions will need to be liberalized in the future as the standard-of-living rises reinforces this trend. Perhaps about a fifth of new money going into trusteed funds is invested in equities.

Although a few trusteed plans have bought business enterprises (for example, the General Tire & Rubber Co. fund bought the Dan Lee Mutual Broadcasting System in California), it is not likely that pension funds will become an important direct source of risk capital; the equity financing by trusteed plans has been very conservative. Yet to a considerable degree the money market is a single market and more funds for any purpose increase the supply available for all purposes.

2. What will be the effect of fund accumulation on the interest rate?

An answer to this question must await some determination of the extent to which these pension funds represent an increase in the volume of savings and the extent to which they merely represent a shift in the form of savings. If the volume of savings is increased will the increase be sufficient to affect the interest rate? A related question is whether the investment practices of these funds will have a concentrated effect on certain types of securities, lowering the rate of return for the safer investments, or whether the money market is fluid enough for the impact to be absorbed more or less evenly. The effect of fund accumulation on the interest rate is an important area for investigation.

3. Will the investment policies of the trusteed plans have a stabilizing effect on the stock market?

It is possible that the growing tendency for trustees of pension funds to invest in common stocks and to emphasize average yields over a long period of time rather than market value might have a stabilizing effect on the stock market. The funds are earning funds and there is usually no need to sell. The popular method of stock purchasing called dollar averaging, moreover, calls for regular purchases of the leading stocks regardless of the condition of the market. This theory, based on the idea that averaging is safer than trying to outguess the market, if applied on a large scale, results in a steady demand for the better-grade stocks and would help prevent sudden drops in price. On the other hand, since the pension trusts are exempt from income tax they can, if they wish, profitably take capital gains by shifting from stocks which they feel are overvalued to those which are undervalued, or they can shift part of their holdings from stocks to bonds if yield disparities are sufficiently narrowed. These practices could serve valuable market functions.

4. What will be the effect of a rising level of living, and possibly rising prices as well, on the contribution which the present type of funding can make to the financing of future benefits?

Funding under private plans is considered to be necessary because any given concern may go out of business and the pay-as-you-go method would result in inability to meet accrued obligations. Moreover, since costs rise steeply, funding is advocated as a way of reducing, through earnings on the fund, the payments to meet benefit costs which would be necessary in the future. Yet these funds may be less useful than is now generally expected. Unless the funds are invested in equities, a rising price level greatly reduces their usefulness, for as suggested earlier, benefits will need to be liberalized sufficiently to maintain at least purchasing power. For example, if we were to have a price rise averaging as much as 2 percent a year, in 35 years it would mean a price level twice as high as at present (35 years because of compounding). Under such conditions, pensions would have to be twice as high and funds invested at a fixed rate of interest 35 years earlier would be performing only half the job they had been designed to perform. On the other hand, if prices remain stable, benefits will nevertheless need to be liberalized to reflect productivity increases and a rising level of living. Under these circumstances as well, if the funds are loaned at fixed interest rates rather than invested in such a way as to share in the gains arising from productivity increases, yields on the funds will meet a continually declining proportion of benefit costs. The dilemma is a very real one. Is it desirable to risk the major part of a pension fund in stocks?

The Teachers Insurance and Annuity Association of America is now experimenting with one way of partly meeting this problem. This association, which covers some 70,000 college teachers with completely vested annuities, is now offering through an affiliate, the College Retirement Equities Fund, a plan which would base the part of retirement pay coming from this fund entirely on equities. The benefit payments will vary from year to year according to the market value and yields of the equities held by the Fund.

In the public pension programs, any attempt to finance a substantial part of benefit costs through an earnings fund runs up against the same difficulties. And, in addition, an attempt to meet part of the problem through buying equities in productive enterprises would put the Government in business and raise serious questions concerning the proper relationship of Government to private enterprise. Fortunately, in the Government programs the continued existence of the systems may be assumed and the security of the benefit can be made to rest on the taxing power of the Government so that funding is not as necessary as in private plans. Since the general Government program, at the very least, must maintain the purchasing power of the benefit, and should also allow for some increases as productivity improves, it may not be wise to rely heavily on funding as a way of meeting long-range benefit costs. The present assumption, inherent in the tax schedule for old-age and survivors insurance, that ultimately roughly a fifth of benefit outlays in a given year will be met by interest earnings may well prove to be too optimistic.

This is not to say that a public fund is worthless. The old-age and survivors insurance trust fund and those of other Government systems do not differ materially from those operated by insurance companies or private trusts. Yet there has been considerable confusion about the effect of the investment of the old-age and survivors insurance reserve in Government securities. It is alleged, for example, to result in double taxation for OASI benefits: first when the taxes are paid on covered earnings and again when redeeming the bonds held by the trust fund or when paying interest on the bonds. It is perhaps worth commenting on this point.

It is true, of course, that the Government will have to levy taxes to pay interest on the obligations issued to the trust fund or to redeem the bonds. However, these taxes are not for the purpose of paying OASI benefits. Rather they are to pay the general expenses of Government for which the money was borrowed from the fund—the cost of defense, for example. These taxes would have to be levied regardless of whether the bonds were held by the trust fund or by a private bank or insurance company. If the trust fund reserve could be held in cash as an idle balance, earning no interest, it would be necessary to levy not only the usual taxes to service the national debt, but additional OASI taxes to make up for the loss of interest to the trust fund. The fallacy in the notion that there is double taxation for OASI purposes lies in the assumption that payment of interest on part of the national debt is a cost of social insurance. Actually, the Federal debt exists quite independently of the social insurance program. Purchase of Government bonds by the trust fund does not mean that the national debt is increased, but merely that the bond purchaser is a public agency rather than a private investor.

PART IV

MAJOR QUESTIONS OF PUBLIC POLICY

In part IV of this report major questions of public policy will be raised which are not necessarily in the area of general agreement and which seem to require further research and consideration. To give definitive answers to some of the questions raised will require a great deal of additional experience, study, and discussion.

Before intelligent action can be taken on some of the problems, more facts are needed. At the present time, many elementary facts about private pension plans—the level of protection afforded, the number of persons protected, the coverage of various types of plans, the amount of money being put into the plans, the number of pensioners, and so forth—are uncertain. Policy formation cannot, however, always await the completion of research and, moreover, the solutions of some of the problems hinge largely on value judgments which can be made now as well as later. In some areas action should be immediate.

THE INTERRELATIONSHIP OF THE VARIOUS PENSION PLANS AND OTHER PROGRAMS FOR INCOME MAINTENANCE OF OLDER PERSONS

In making sure that our commitments for the future are adequate but not excessive, perhaps the most important goal is to develop a rational relationship among the various programs. Will veterans be granted a general pension payable regardless of employment and regardless of other retirement income? What is to be the relationship of old-age and survivors insurance to the other public retirement programs operated by the Federal, State, and local governments? How much of the job of supplying retirement income is to be done by old-age and survivors insurance and how much by the private supplementary plans? What are the factors which will determine the need for old-age assistance in the future?

Under present arrangements, some people now working will not get any pension at all when they retire, the great majority will get the pension of the general public program alone, some will get the pension of the public program and a supplementary pension; a few will get several pensions from various sources. What is the best way to improve this situation?

The veterans program and social security

There are now about 19 million veterans in the United States. A major question of public policy is the extent to which these veterans are to be granted special benefits in addition to the protection which they share with others under social security. For our present investigation the issue in this area is primarily whether aged veterans will be granted a general pension without regard to other income and without regard to service-connected disabilities.

The present veterans' legislation does not provide a general pension to aged veterans. It provides compensation to those with service-connected disabilities, and for other veterans it, in effect, guarantees a minimum level of living in old age; as indicated previously, the non-service-connected program pays a benefit only if income from other sources is below $1,400 for the single veteran and $2,700 if he is married.

There is general acceptance of the program for service-connected disability. Moreover, the present program for cases not service connected may not be unduly expensive if the availability of other types of protection is taken into account in considering modifications in the future. For example, if the present income tests and benefit levels are retained for the veterans program and old-age and survivors insurance is liberalized as the community standard of living rises, a large proportion of veterans would have from other sources the minimum level of living now guaranteed and would not be eligible for the special veterans' benefit. Under these conditions, veterans' pensions for the aged in 1975 would amount to about $600 million in terms of 1951 prices. If, on the other hand, in planning the non-service-connected disability pensions and in considering proposals for general veterans pensions, the Congress does not recognize that most of the same people will be entitled to old-age and survivors insurance benefits and that many will still be working after age 65, high costs will result. If the income limitation and the amount of benefit under the veterans program, as well as benefit amounts under the old-age and survivors insurance program, are adjusted as the standard of living increases,[1] the cost of veterans' pensions to persons over 65 would in 1975 be about $3 billion in terms of 1951 prices. A general pension for aged veterans adjusted to a rising standard of living and paid without regard to other income, including income from work, would cost about $5 billion in 1975 (1951 prices). These additional costs would be incurred largely to pay additional benefits to persons who were either still at work or already drawing OASI benefits. In some instances, of course, the retired veteran would also be drawing a private pension.

Old-age and survivors insurance and the other Government programs

As indicated in part II, there is very substantial support for the extension of old-age and survivors insurance to the more than 10 percent of the labor force not now protected by any plan. In addition, it would be highly desirable to work out a more rational relationship among the various public programs. Private plans are usually designed with the benefits of the public program taken into account so that they represent a planned supplementation. This is not true of the various public programs for special groups. The Civil Service Retirement System, the systems of the Armed Forces, and the systems of the State and local governments are designed, not as supplements to old-age and survivors insurance, but as if the benefit paid by the special system were the only one which an individual receives. Because so many Americans move from one job to another during the course of a lifetime, some workers fail to qualify under any system while a large number of others, contrary to the assumption on which

[1] Adjustments were made to provide the same level of relative adequacy as when the current amounts were established.

these special plans are based, will also receive benefits from old-age and survivors insurance. Indeed, if present arrangements are continued, it will not be uncommon for a person to qualify, for example, under the Federal Civil Service System, old-age and survivors insurance, and some other program such as the Reserve Officers System of the Armed Forces.

This type of duplication and multiplication of benefits is inequitable and results in higher than necessary costs because these independent systems do not take special account of those cases where their beneficiary also receives an old-age and survivors insurance benefit weighted in favor of the low-paid worker and the worker who is under the system for relatively short periods. A person who is under Federal civil service for part of his working lifetime, for example, receives a civil-service benefit directly related to his years of service and no account is taken of the likelihood that he will also be receiving an old-age and survivors insurance benefit based on the rest of his working lifetime and weighted favorably in relation to his years of service in employment covered by old-age and survivors insurance.

There is not the same objection to a person receiving old-age and survivors insurance benefits plus a supplementary private pension based on 15 years' service with one company and another pension based on 15 years' service with a different company. Service with both companies is counted for old-age and survivors insurance purposes so there is no weighting as a result of short service under old-age and survivors insurance. Moreover, both private plans will have taken into account the fact that the pensioner will receive an old-age and survivors insurance benefit.

Various groups are engaged in studying the relationship of old-age and survivors insurance to the other public programs and in attempting to work out the best method of providing protection at the lowest possible cost. During 1952, a special joint committee of the House and Senate was concerned with the relationship of the Railroad Retirement program to old-age and survivors insurance. Between these two systems coordination has already progressed to a considerable degree.

At the same time, under Public Law 555 the executive branch of the Government has been directed to conduct a special study of the interrelationship of the various pension systems covering Federal employees and old-age and survivors insurance. The Senate Finance Committee has also indicated its desire to hold hearings early in 1953 on the relationship of the State and local retirement systems to old-age and survivors insurance. Some action in this whole area may be expected over the next few years.

Coordination between old-age and survivors insurance and the other Government programs will probably be accomplished, in some cases, by extending old-age and survivors insurance to the employments now covered by special plans with the special plans being redesigned to make them similar to the supplementary plans of private industry and the nonprofit area. In other areas, coordination may take different forms.

Private plans and the basic public program

The pension plans of private industry and the nonprofit area are designed to provide benefits supplementary to OASI. It follows, therefore, that their character is greatly influenced by the nature of the OASI system.

Old-age and survivors insurance is a variable benefit system. There is an absolute minimum of $25 a month payable to any retired worker who meets the minimum service requirements ($37.50 for a couple when the wife is 65 or over). The worker who spends full time under the system will in the future ordinarily receive at least $55 a month ($80 for a couple). These are the amounts payable on an average wage of $100 a month. The benefits increase as the average wage earned under the system increases until they reach a maximum of $85 for the single man and $127.50 for man and wife, payable to all those who average $300 a month or more. The $200 a month worker will get $70 and, when married, $105.

For workers who are under the system full time and who earn more than a minimum wage, benefits are a decreasing percentage of the wage, although they are higher in amount than for those who earn only minimum wages. At a $300 average wage (the maximum counted under the program), the benefits for man and wife are 43 percent of the wage instead of 80 percent as at a $100 average wage. Because of the program's maximum wage base, the benefit for man and wife is only 26 percent for the $500-a-month worker. Even if the present benefit formula were applied up to $500 a month, the benefits for husband and wife at this wage level would be only 35 percent of the wage.

Old-age and survivors insurance, then, is not geared to a budget concept of minimum subsistence as is the British system, but is geared rather to individual circumstances. It pays to many of those who are under the System only part time less than old-age assistance would pay. To the worker who is under the System full time and who has earned only minimum or near-minimum wages, it aims to pay amounts which will make recourse to assistance unnecessary except in cases of special need.[2] (It cannot be assumed that retired workers who earned only minimum wages have significant income from other sources; the benefit for such workers must in itself supply minimum subsistence.) To the worker above minimum wages, the system will pay benefits which are somewhat above the assistance level in most States.

In considering this benefit philosophy, the first question which arises is: How reasonable is it to pay benefits below subsistence to many of those who spend only part of their working lives under the program? People are under the system less than full time for a variety of reasons. One large group of those not under the system for a lifetime is made up of women workers who work in covered employment in their younger years but do not work after marriage. Another sizable group consists of workers who spend a part of their lives working in noncovered employment, such as Government service or farming. It seems reasonable that both of these groups should get lower retirement benefits from old-age and survivors insurance than those who stay in OASI full time and contribute throughout their working lives. Nor is there any particular reason why their old-age and survivors insurance benefit should be enough to support them even at minimum subsistence levels.

[2] The limitation on paying an adequate subsistence benefit to the full-time worker at minimum wages is the wage itself. The old-age and survivors insurance system now pays to a couple 80 percent of the average wage up to $100.

The reduction in benefit that now takes place because of a worker's disability is in a different category. Congress has indicated its intention of considering this question in 1953. The present formula also proves unduly harsh in its treatment of the individual who suffers involuntary unemployment. One way of meeting this problem would be to pay full rate benefits to those who were in the system say 30 years out of the possible 45 working years between the ages of 20 and 65, with reductions only for those with less than 30 years. This would make it possible for an individual to secure maximum benefits even though out of the system for part of his working life.

There is little quarrel with the idea of paying the minimum-wage worker an amount at least equal to a low subsistence level if he is under the program full time. The major controversy on benefit philosophy in old-age and survivors insurance arises in determining how much above this amount should be paid to workers who earn more than minimum wages.

There is substantial agreement among labor, management, and experts that the benefit should vary with wages and that those who earn more than minimum wages should receive more. But how much more? Should the second step in the old-age and survivors insurance formula be 15 percent as at present or should it be raised to 20 or 25 percent? Should only the first $3,600 of wages earned in a year be counted toward the benefit as at present or should the maximum amount be raised to a higher figure? [3] Should the weighted part of the benefit formula be applied to more of the average monthly wage? As indicated in part II, there is little likelihood that old-age and survivors insurance benefits for workers at more than minimum wages would be made so high that they would be considered sufficient retirement income in themselves. The issue concerning the proper relationship of OASI and the private supplementary plans therefore is largely one of degree.

Decision on points such as these regarding old-age and survivors insurance will have a considerable effect on the character of the job which the private pension movement will be expected to do. If old-

[3] One of the most controversial issues growing out of the need to adjust benefits to the long-range trend of increasing wages has been the timing of increases in the wage-base maximum. Some have favored raising this maximum now in order to include the total wages of workers to the same extent that the $3,000 maximum included total wages in 1939. This would now require about a $6,000 maximum instead of $3,600. Where only a part of a worker's earnings can be credited toward benefits, the benefit amount necessarily represents a smaller proportion of the total wage loss upon retirement. Moreover, the fact that only earnings of $3,600 or less may be included in the average means that the individual whose customary earnings are at or above the taxable maximum, but who in some years receives below that amount because of sickness or unemployment, suffers a permanent reduction of his average monthly wage and hence his benefit amount; earnings above $3,600 in other years cannot be used to restore his average for benefit purposes even back to the maximum level allowed by law. While this situation will occur no matter what limit is set, it is argued that the maximum should be high enough so that all earnings of nearly all workers can usually be credited.

Others have argued that wages have not yet increased sufficiently above the 1939 level to require a further increase in the maximum wage and contribution base. This group recognizes that at some point the wage-base maximum should be raised, but they favor moving in this direction very slowly because such increases raise the benefits for higher-paid workers retiring in the early years of the program more than it increases their contributions. *See* Recommendations for Social Security Legislation, the Reports of the Advisory Council on Social Security to the Senate Committee on Finance, Appendix 1–F, "Résumé of Minority Opinions on Changes in Benefit and Contribution Base," p. 64. 80th Cong., 2d sess., Document No. 208, U. S. Government Printing Office, Washington, 1949.) A few seem to favor holding the wage base to the lowest possible point indefinitely. This course would, in time, transform the system from a variable-benefit program related to wages to virtually a flat-benefit system. With a long-range trend of increasing wages, sooner or later most full-time workers under the program would be getting close to the maximum-benefit amount because most of them would be earning maximum wages throughout most of their working lifetime.

age and survivors insurance is improved for workers with more than minimum wages it is likely that the standards for total retirement income will be raised and the goals of joint old-age and survivors insurance and private supplementary plans enlarged. Moreover, in the long run it may be that the sponsors of private plans will want to put less money into pensions and more into disability benefits or health protection if the public pension program is significantly improved and present arrangements for health and disability are still inadequate.

It is, of course, possible to provide for pensions which are too high when compared with other things people want to do with their money. Pensions are expensive. As indicated in part I, coverage is usually an automatic accompaniment of the job; the worker gets the amount of protection provided by the plan whether he wants it or not. Thus, the pension limits the right of individuals to spend as they wish. In a free economy such limitations should be approached with caution. Moreover, there are social needs other than the protection of the aged which must be provided for by limiting the right of the individual to spend as he wishes.

The task is to leave as high a proportion of income as is compatible with adequate social protection to the free choice of individual spending. Failure to provide adequate protection on an automatic basis results in the ills arising from poverty and dependence. On the other hand, if we go too far in allocating the income of individuals for specific purposes, either through Government programs or private institutions, we will have traded economic freedom for a new paternalism.

The dynamic character of the pension problem resulting from price, wage, and standard of living changes is also an important factor in determining the relationship between old-age and survivors insurance and the various other programs. If old-age and survivors insurance benefits are raised as wages rise, then the problem of adjusting to economic change for private plans is very much reduced.[4] If old-age and survivors insurance benefits are not increased as wages rise, then much greater increases are necessary in the private plans.

Many of the larger industrial companies are developing well-rounded retirement programs which include preparation for retirement, post-retirement counseling and service programs, and a pension plan which when combined with old-age and survivors insurance aims at providing an adequate income for a satisfactory old age. It may be expected that such plans will spread and that more and more persons will be covered by them. In our estimates we have assumed that roughly half the labor force will be covered by some type of private plan in 25 years.

However, only slightly over 5 percent of the 9 million aged not now working are drawing private pensions or are the wives of persons drawing such pensions. Thus it has not been possible to plan the pub-

[4] While there is agreement that old-age and survivors insurance benefit liberalizations will be needed from time to time, there are differences of opinion concerning the extent to which the program should be designed to adjust automatically to increasing wages. One proposal that would go a long way toward accomplishing an automatic adjustment to increasing wages would be to base benefits on an average wage figured over a limited period, such as the five or ten consecutive years of highest earnings, rather than the span of a working lifetime. The long-term rise in wage levels, it is argued, cannot be sufficiently taken into account if wages must be averaged over a 30- or 40-year period, inclusive of a past period of lower wage levels.

lic program on the assumption that most people will also have protection under supplementary plans. In all likelihood it will not be possible to do so in the future. Ten years from now this 5-percent figure might be as high as 10 or 15 percent. It takes time for pension coverage to be translated into pension payments, and even in the long run, coverage under private plans will tend to have serious limitations. To a very considerable extent, the problem of income maintenance for the aged is not a matter of retirement benefits, strictly defined, but a matter of survivorship protection for aged widows. Of the 9 million nonworking persons under discussion, well over a third are not retired workers or retired workers' wives, but are aged widows. Private plans do practically nothing for this group.

Furthermore, private plans tend to be confined to the long-term employees of relatively large industrial employers. Coverage is likely to continue to be inadequate or largely nonexistent for persons who work for relatively small employers, for agricultural and domestic workers, for the self-employed, and for older workers who change their jobs and thus fail to meet service requirements.

It is to be hoped that protection furnished by the private plans will be greatly extended and improved, but, realistically, the benefit level in old-age and survivors insurance must be set in recognition of the fact that in the foreseeable future it will continue to be the only form of regular retirement pay for the great majority of retired workers, their wives, and aged widows.

Public assistance

Public assistance is the residual method of meeting the income needs of the aged. To the extent that retirement systems, veterans programs, individual savings, and help from relatives do not meet need, public assistance must pay enough to bring the individual up to the minimum level of living that the community considers acceptable. The future of old-age assistance depends, then, in the first instance on the extent to which other arrangements meet total need. This means most importantly the extent to which old-age and survivors insurance will meet total need. Table IV shows by State the number of OASI aged beneficiaries and the number of old-age assistance recipients.

TABLE IV.—*OASI beneficiaries and old-age assistance recipients, by State, June 30, 1952*

State	Aged persons		State	Aged persons	
	OASI aged beneficiaries	OAA recipients		OASI aged beneficiaries	OAA recipients
Alabama	40,144	72,445	Nevada	3,336	2,716
Alaska	1,506	1,649	New Hampshire	20,171	6,990
Arizona	12,282	13,979	New Jersey	148,751	21,892
Arkansas	24,925	57,946	New Mexico	5,604	10,784
California	300,942	273,245	New York	433,963	113,375
Colorado	27,882	[1] 51,667	North Carolina	44,504	51,412
Connecticut	69,009	17,279	North Dakota	5,105	8,805
Delaware	8,510	1,738	Ohio	221,812	114,917
District of Columbia	12,672	2,742	Oklahoma	32,463	95,114
Florida	80,047	67,173	Oregon	46,955	22,460
Georgia	39,704	95,271	Pennsylvania	310,963	71,928
Hawaii	6,865	2,185	Puerto Rico	173	36,940
Idaho	10,032	9,247	Rhode Island	30,142	9,356
Illinois	274,278	109,847	South Carolina	20,360	42,497
Indiana	102,121	42,925	South Dakota	6,889	11,796
Iowa	48,866	47,805	Tennessee	42,861	59,535
Kansas	34,763	37,012	Texas	91,870	218,636
Kentucky	45,435	61,709	Utah	11,007	9,717
Louisiana	35,097	120,604	Vermont	10,660	6,992
Maine	32,197	14,086	Virgin Islands	15	[2] 675
Maryland	47,463	11,276	Virginia	46,825	18,604
Massachusetts	174,345	98,076	Washington	72,217	66,894
Michigan	149,697	91,164	West Virginia	41,628	26,232
Minnesota	59,282	54,430	Wisconsin	84,027	51,115
Mississippi	18,196	57,556	Wyoming	4,311	4,187
Missouri	90,133	131,377			
Montana	11,539	11,030	Total	[3] 3,465,425	2,659,657
Nebraska	20,881	20,595			

[1] Includes 3,933 recipients under 65 years of age in Colorado.
[2] Estimated.
[3] Excludes beneficiaries residing in foreign countries.
Source: Federal Security Agency, Social Security Administration.

Will the old-age and survivors insurance program be extended to those who do not now have any organized kind of retirement protection? Coverage is now very inadequate in rural areas and unless it is further extended to farm workers and farm operators the assistance burden will continue to be heavy in rural States. In studying why old-age assistance recipients were not entitled to old-age and survivors insurance, the Social Security Administration found in a sample survey that approximately one-half the assistance recipients who had worked after 1936, and who were not entitled to old-age and survivors insurance, had worked in agriculture.[5]

If the price level continues to rise, will insurance payments be adjusted promptly or will assistance have to step in and do a big job of supplementation? Payments under old-age and survivors insurance are now at such a level for most beneficiaries that supplementation under assistance could easily become very large. About 14 percent of old-age and survivors insurance aged beneficiaries are now receiving old-age assistance and this percentage would be even higher if many people were not reluctant to ask for assistance.

Will assistance standards be raised faster than benefit amounts under old-age and survivors insurance? That is, leaving aside the question of prices, will old-age and survivors insurance benefits be liberalized as the concept of adequate minimum standards is liberalized, or will there be a big need for assistance supplementation on this score?

[5] See Charles E. Hawkins, Old-Age Assistance Recipients: Reasons for Nonentitlement to Old-Age and Survivors Insurance Benefits, Social Security Bulletin, July 1952.

Another factor is that the present low benefits of old-age and survivors insurance can for a short time after retirement be combined with even meager assets to supply a minimum standard of living. The chances are, however, that as assets are exhausted many more old-age and survivors insurance beneficiaries will have to turn for supplementary help to assistance unless their old-age and survivors insurance benefits are raised. As the average length of time that old-age and survivors insurance beneficiaries have been on the rolls increases, therefore, there will be a tendency for the overlap to increase.

Will arrangements with other public systems be worked out so that an individual reaching old age will be sure of protection under some system? At present an individual who changes jobs may fail to qualify under the plans of the Federal Civil Service, the Armed Forces, State and local governments, or old-age and survivors insurance. Moreover, under some plans he may get a refund of contribution when he leaves his job and arrive at old age without retirement protection.

Will the benefit formula be adjusted so that periods of disability and unemployment will have a less severe effect on benefit amount than they have now?

Will large numbers of widows continue to arrive at age 65 without insurance protection by reason of the fact that they themselves did not work and their husbands died before gaining coverage under old-age and survivors insurance?

One of the great uncertainties concerning the future of old-age assistance arises from the fact that the amount of "need" for assistance is a matter of definition, and the individual States have considerable freedom in making their own definition. It is probable that some States will continue to liberalize their definition of need by exempting higher amounts of assets from consideration, possibly by changing their policy so as to ignore the income and assets of relatives, and in other ways liberalizing the definition of the minimum level of living to be supplied by assistance. Although the Federal Government pays a large part of the bill, Congress has given the control of the assistance situation largely to the States. The Federal Security Agency must approve a State plan before Federal money is made available and an administrative limit on the amount of property a recipient may have and still be eligible for assistance has been established. No administrative limits, however, have been established for other aspects of need. Under present policy, if a State wanted to define the need of an individual in terms of $100 a month and the individual's income from old-age and survivors insurance was $75, the State could grant a $25 supplementary assistance payment and have 80 percent of the cost paid by the Federal Government. When practically all aged people are getting old-age and survivors insurance, will the States respond by liberalizing the definition of need under assistance? It may be that in the long run the Federal Government will either have to get out of old-age assistance entirely or establish a more detailed Federal definition of need in order to control the amount of matching it is willing to do.

The amount of assistance to be supplied in the future will be affected not only by the adequacy of alternative methods but by the political power of the aged in the various States. In some places the amount of assistance will probably remain high even though other arrangements are reasonably satisfactory.

These are some of the imponderable questions which will determine the amount of old-age assistance in the future. As indicated in part II of this report, there is general agreement that insofar as possible the income maintenance needs of the aged should be met on a nonmeans-test basis and that old-age assistances should be reduced to the lowest possible extent consistent with the goal of meeting the reasonable needs of the aged population. Nevertheless, unless there is a basic change in old-age and survivors insurance, assistance will remain large for some time to come. This is true because of the immaturity of our various retirement systems.

THE PROBLEM OF IMMATURITY

Substantial coverage under private plans is new and thus, as previously indicated, those persons drawing private pensions together with their wives make up perhaps 10 percent of the group of 5.5 million persons over 65 which consists of retired men, their wives, and single and divorced women. Very few of the 3.5 million nonworking widows are drawing private pensions. Most persons already retired will never work again and will consequently not earn a pension, and although a higher percentage of those retiring in the future will be eligible for payments it will be at least 25 years or more before even greatly improved coverage and eligibility provisions would result in the payment of private pensions to as much as 20 or 25 percent of the retired group living at that time. The present extremely low figure is a problem of immaturity—a result of the fact that a private retirement plan cannot be expected to do anything about those who had already retired when the plan was inaugurated.

The public programs, by and large, are much more mature. The Civil Service Retirement System was started in 1920, the Armed Forces system about 1860, many State and local systems in the 1920's, and the railroad retirement program in 1935. The old-age and survivors insurance program has been operating for 15 years. Moreover, under old-age and survivors insurance, the eligibility requirements for older workers are very liberal. Consequently, as indicated in part I, the public programs today are paying pensions to about two-thirds of the nonworking group over 65 made up of retired men and their wives, and single and divorced women. Even the public programs, however, are payable less than one-fourth of the nonworking aged widows.

Under present arrangements, a larger and larger percentage of aged persons will be eligible in the future for pensions from the public programs. This process would be considerably speeded up by universal coverage under old-age and survivors insurance, by coordination arrangements between old-age and survivors insurance and the other public systems, and by the exclusion of periods of disability from determination of eligibility for old-age and survivors insurance. Nevertheless, most of those who have already stopped work and are not now eligible for old-age and survivors insurance, will never become eligible so long as eligibility for benefits is based on demonstrated work in covered employment. By and large, they must continue to be cared for, at least in part, by public assistance or by friends and relatives, for few of them have enough in the way of savings to completely support themselves throughout the period of their life expectancy.

Some persons have advocated maturing the old-age and survivors insurance system immediately. They have argued that it is inequitable to exclude any aged person from old-age and survivors insurance benefits because his participation in the labor force, or the participation of the person on whose earnings a widow was dependent, took place before the effective date of the program or because his occupation was excluded at the time he worked. Those in favor of maturing the system now would establish universal coverage for current workers and at the same time pay all those over 65 who had retired a minimum old-age and survivors insurance benefit, whether or not the individual or a husband demonstrated any recent attachment to covered employment.

The old-age and survivors insurance system has already made substantial concessions to the present aged by giving full-rate benefits to those about to retire and yet requiring from them very little in the way of contribution. The theory under old-age and survivors insurance has been that with a test of recent employment, a worker might be given the equivalent of past service credits on the presumption that he undoubtedly had many other years of covered employment over a working lifetime. Under the 1950 amendments, workers already retired were made eligible for at least minimum benefits if they had a year and a half of covered employment at any time after 1936. Those who argue for maturing old-age and survivors insurance immediately argue that this very liberal treatment of some of the present aged makes the exclusion of those who do not qualify seem all the more inequitable; they favor, in effect, granting past service credits to all the present aged.

There is, however, no general agreement on the wisdom of paying benefits under old-age and survivors insurance to all the present aged. It would mean that for the first time eligibility to benefits would be separated from a record of wages and contributions and it might consequently have a more serious impact on the public's conception of the program than perhaps it logically should. Many hesitate to advocate further temporary concessions in meeting the problem of the present aged if those concessions tend to weaken public understanding of the long-run principles of the program.

It is true that the concessions already made to the present aged, or even paying benefits to all nonworking aged widows and retired workers, would not necessarily mean any change in the long-run nature of the program. The principles of the system could be the same for those reaching the age of 65 a generation from now regardless of what is done about the present aged. The question raised by proposals for covering all the aged now is whether a wage-related contributory system could be preserved for the long run under conditions where large numbers of people in the early years of the program were paid flat-rate benefits without establishing eligibility on the basis of a contribution or a work record.

If the present aged were to be blanketed into the system, some feel it would be desirable to have the income tax apply to that part of the old-age and survivors insurance benefit which exceeds the value of the employees contribution. (A tax is paid currently on the contribution.) One objection to paying benefits without a needs test to those who have not paid a significant part of the cost of the benefit they receive is that those retired persons over 65 with substantial incomes are given a tax-free bonus based solely on their age and retired status. Making that part of the benefit which exceeds the contribution subject to income tax would recover a portion of this "windfall." Those largely dependent on the old-age and survivors insurance benefit would not be hurt by such a proposal for they are seldom subject to income tax.

The objections to the proposal in this form are largely administrative, but they are substantial. Could an individual after retirement really be expected to know how much he had paid toward his benefit over a period of many years? There would be no inexpensive way of checking the accuracy of his claim. It could be done, of course, from the old-age and survivors insurance records, but at considerable cost. Another possibility would be to exempt the employee contribution from taxation when paid and then tax the entire benefit during retirement.

Under most proposals for paying benefits to all the present aged under old-age and survivors insurance, the Federal Government would withdraw entirely from old-age assistance and would instead pay from general taxation (although not necessarily currently) the cost of the old-age and survivors insurance benefits going to noncontributors.[6] Some feel that this might result in less adequate care of the present aged in some States. The basic old-age and survivors insurance payment would probably not be enough to meet need alone, and yet, without the inducement of Federal matching, some States undoubtedly would reduce what they now put into old-age assistance. Moreover, it is possible that in the absence of Federal standards there would be a tendency in some State administrations to turn in the direction of the practices of the old poor law. On the other hand, it is possible that in the absence of Federal standards requiring that only "needy" persons be paid, some States would remove the test of need, transforming their old-age assistance programs into universal flat pension plans and adding greatly to the cost of caring for the retired aged.

The reaction of the various States to the new situation which would be created by maturing old-age and survivors insurance immediately would depend on the amount of the minimum Federal benefit. It is difficult to decide on the correct amount. It should be high enough to reduce substantially the need for assistance. Yet it must not be too high or it would threaten the very existence of the wage-related contributory program. It is important that there be a substantial difference between the amounts paid on the basis of contributions and the basic guaranty paid without contribution if those covered by the contributory program are going to continue to support it. On the other hand, there are also substantial advantages in maturing the OASI program as rapidly as possible. Whether there would be a net gain for the aged and for the Nation in these proposals for paying old-age and survivors insurance benefits to all of the present retired group is now a matter of debate.

The Federal matching offer in old-age assistance is now a maximum of $35 per month. If all of the retired aged over 65 were guaranteed

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[6] In Referendum No. 93, however, the U. S. Chamber of Commerce committee on social legislation proposed paying benefits to all the present aged without a Government contribution.

this amount, additional expenditures would come to about $1,400,000,000 in 1953. This figure takes into account the cost of raising to $35 those old-age and survivors insurance and old-age assistance benefits now below this amount and paying $35 to all those not receiving either old-age and survivors insurance or old-age assistance.[7] The estimated Federal share of old-age assistance for 1953 and the estimated income-tax yield on the additional payments (on the assumption the OASI benefit is made taxable) has been subtracted from the amount of the increased costs to arrive at the figure for additional expenditures. If the $35 were payable at age 70 rather than 65, the additional expenditures for 1953 would be about $950,000,000 (assuming old-age assistance continued for those aged 65–69).

A UNIVERSAL PAY-AS-YOU-GO SYSTEM

If the old-age and survivors insurance program were to be matured immediately by blanketing-in the present aged, certain other changes should be considered at the same time. Coverage of all current workers, desirable at any time, would be essential. Yet, one danger in these maturity plans is that the presently excluded groups might consider it advantageous to stay out and collect the "free" benefit without making direct contributions and reports to the program. A system which always gave contributors something more than noncontributors, though somewhat costlier than the estimates for the minimum-guaranty plan indicated above, would have a better chance of protecting the contributory principle. In any event there would have to be a considerable difference between the free and the contributory benefit to make coverage attractive to those now excluded.

If the present aged were blanketed into the insurance program, the financing method should be reexamined at the same time. Pay-as-you-go financing would then be a realistic alternative to the present approach. Whether desirable or not, and opinions differ, pay-as-you-go financing on the basis of earmarked contributions is hardly possible unless the system is substantially mature. The pay-as-you-go method, which equates income from contributions and short-term expenditures, is not compatible with a self-financed system which does not cover the group already retired. Under such a system, pay-as-you-go would require present contribution rates to be cut by one-third. Later on, rates might have to be three times as high as the rates now being charged. This is true because benefit costs will rise gradually from now until the end of the century. As the program matures, a larger and larger proportion of those retiring will have had an opportunity to earn wage credits and a larger and larger proportion of aged widows will also qualify for benefits.

With the present program, employee contribution rates on a pay-as-you-go basis would look like this (including protection for survivors) if the low-cost estimates were taken: 1953, 0.9; 1960, 1.4; 1970, 2.0; 1980, 2.5; 1990 and thereafter, 2.9. If the high-cost estimates were taken, the rates would be like this: 1953, 1.0; 1960, 1.9; 1970, 2.7; 1980, 3.5; 1990, 4.5; 2000 and thereafter, 5.0.

[7] Federal retirement systems other than old-age and survivors insurance have been included in this estimate of additional cost. The $35 has been assumed to be a minimum guaranty rather than an additional payment.

From the standpoint of persons who spend a working lifetime under the program, it seems somewhat absurd to charge first a rate of only 1 percent and then gradually to increase the rate to perhaps as much as 4 or 5 percent. For social insurance just as for private insurance, it is much easier for workers to pay a more or less level rate over a working lifetime.

If the program were to be matured by blanketing-in the present aged it would be possible, however, on a pay-as-you-go basis to charge rates in the early years which would be much closer to the ultimate rates. With the payment of at least $35 per month to all of the nonworking aged, benefit disbursements including lump-sum and younger survivor benefits in 1953 would be about $5,300,000,000 or almost 4 percent of covered payrolls, an increase of $2,600,000,000 over expected benefit disbursements under present law. Thus a contribution rate of 2 percent on employers and 2 percent on employees could be charged immediately without increasing the reserve.

Under such a plan, many consider it desirable that as the population ages the ultimate contribution rates should be held down by having the Government contribute as well. It seems inequitable to put the cost of the "free" benefits on the contributor. The pay-roll tax is regressive in nature—a flat-rate tax on only the first $3,600 of wages and self-employment income—and in effect these benefits would be substituting for the Federal share of old-age assistance which is raised on a much more progressive basis. Even if one were to consider the employer tax as the sole source of revenue for the "free" benefits, there would be a substantial shift to a less progressive form of taxation.[8] Moreover, a shift to pay-as-you-go means that the ultimate rates must be considerably more than under a reserve system. Under pay-as-you-go, unless a Government contribution is substituted for the interest payments, the contributor who has paid throughout his lifetime has lost the advantage of interest. A contribution schedule showing the percentage of pay roll required on a pay-as-you-go basis with a Government contribution and a blanketing-in of the currently retired group might be as follows:

	Employer	Employee	Government		Employer	Employee	Government
1953	2	2		1980	2.5	2.5	2
1960	2	2	1	1990	3	3	2
1970	2	2	2	2000	3	3	3

[8] Many persons feel that it would be desirable to have an eventual Government contribution to the old-age and survivors insurance program even if the other provisions of the program are kept as they are now. The payments of full-rate benefits to those retiring in the early years of the program has created a situation similar to "blanketing in." A level premium rate to finance the benefits presently promised for a generation of workers under the program for a working lifetime is slightly more than 4 percent on the basis of the intermediate cost estimates; that is, a contribution rate of 2 percent on employer and 2 percent on employee under the assumption of reserve financing would just about meet the full cost of benefits for this group in perpetuity. A combined contribution rate of 4 percent would not be enough, however, to pay full-rate benefits to the workers now old, since they will be contributing for relatively short periods of time. The deficit of contribution which arises from this fact is the equivalent of nearly another 2 percent of payroll on a level premium basis, making the level premium rate for the whole system about 6 percent. The case under reserve financing for meeting the deficit of contribution of older workers through a Government contribution is strong; this is an accrued liability unrelated to the value of the protection for those who come afterward. Nevertheless, there are some advantages in financing the system entirely from payroll contributions. There is always the possibility that a contribution from general taxation might not be forthcoming, and that benefits might have to be reduced accordingly. Although the Government contribution might be designed to make up for the deficit of contributions of older workers, it is not unlikely that it would be thought of as a general subsidy to the program and obscure the fact that younger workers and their employers would have paid their own way.

If a pay-as-you-go system were established without a Government contribution to make up for interest earnings on a reserve, it would be particularly important that the benefits be adjusted to keep up with any increases in prices or the level of living. Otherwise, as the system matures the combined employer-employee contribution rate will exceed the value of the protection for those contributing. On the other hand, if the long-range trend of rising wages continues, adjustment of the benefits so that they remain reasonably related to the wage level current at the time of retirement would probably more than make up for the loss of the interest earnings which would have resulted from a system geared to a reserve.

Benefits may be related to current levels of living by periodic legislative action or by more or less automatic devices such as relating benefits to a high 5- or 10-year average monthly wage and tying the benefits of those on the rolls to various kinds of cost-of-living or wage indexes. Another approach which can be used in a pay-as-you-go system is illustrated by the so-called apportionment plans in France[9] and the plan recommended in Sweden in 1950 by the Pension Investigation Committee.[10] These plans relate benefits to the past earnings of the individual but in such a way as to give him the advantage of price rises or productivity increases as reflected in current wage levels. Specifically, under such plans an individual would receive each year a credit under the system which would express in "points" the relation of his covered earnings to average covered earnings for that year. On retirement his points would be averaged and his benefit each year would be based on the relationship of his lifetime average to average earnings under the system for the year in which the benefit is paid. Other types of pay-as-you-go plans are illustrated by the new Canadian system which pays a flat $40 to all persons at age 70, and the system adopted in Switzerland in 1947 which included those in the retired group who could meet an income test.

Financially, a universal pay-as-you-go system would operate more or less on this theory—a given percentage of covered earnings is collected now from current earners and their employers, and possibly from the Government, and apportioned among the present retired group. The current earners, in turn, have the expectation of a given percentage of future earnings when they retire. In a successful economy, the pensioners participate in the gain; in the event of a general decline in the level of living over time, pensions drop as well as the income going to other groups in the population. A contingency fund could be used, however, to prevent the need for benefit reductions in periods of unemployment; the financing might well be designed to balance over the business cycle.

The aging of the population creates a special problem. As the proportion of aged grows it takes a larger percentage of total pay rolls to supply benefits which bear the same relation to wages as at the beginning of the plan. Thus, to fulfill the goal of the plan, a larger

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[9] Convention collective nationale de retraites et de prevoyance des cadres du 14 Mars 1947. Mise à jour au 12 Mars 1951, Imp. Chaperon, Vannes.

[10] See proposal for a General Pension Insurance in Sweden. A summary of investigations made by the Pension Committee 1950. Published by the Swedish Government. The Swedish proposals do not bring in the present aged. In fact, the plan would be a slowly maturing one, paying much lower benefits to older workers. Moreover, there is no weighting in the benefit formula for lower paid workers. However, the point system described in the proposal could be used in combination with various specifications.

percentage of future earnings must be reserved for later pensioners than is needed at the beginning.

Although there are enough apparent advantages in this kind of an approach to deserve careful study, it is possible that this way of designing a retirement system would give less security to the potential beneficiary than the more familiar pattern of building up an individual reserve. Would it, for example, be more likely under such a plan than under the more orthodox present system that benefits would be subject to change because of political pressures? In this kind of system would the pension be secure?

PROTECTION FOR THE PERMANENTLY AND TOTALLY DISABLED

Retirement pay is important not only for those of 65 and over, but for all persons who are more or less permanently out of the labor market. The most serious gap in this respect is the failure of present arrangements to give adequate protection to workers who are out of the labor market because of permanent and total disability.

Of all the risks to economic security, total disability is perhaps the most devastating. Disability is more of an economic burden than old age for it may come at a time when children are not yet grown and the responsibility for their support is greatest. Moreover, it adds a dependent to be taken care of—a dependent who may need special care and incur extra expenses. Few persons, even those receiving high salaries, accumulate enough savings to support their families during long years of disability.

Adequate permanent and total disability protection is now largely unavailable. Individual insurance against permanent and total disability is offered by many private companies but under restricted conditions and at rates which are prohibitive for many. Under private pension plans, many years of service are typically required for disability protection and often the protection is only the actuarially discounted retirement benefit. Workmen's compensation protects workers only in case of work-connected disabilities, usually accidents, and even then does not usually assure an income for the entire period of the disability. Probably only about five percent of all permanent and total disability cases are of work-connected origin.

To a considerable extent, benefit compensation for retirement in old age rests on a general presumption of the likelihood of serious disabilities in later life. In fact, unless provision is made for disability insurance, there will be increasing pressure for a general reduction in the qualifying age for old-age benefits, so that disabled persons will not have to wait so long for their insurance income. It would not seem wise, however, to make retirement benefits generally available at younger ages.

Rehabilitation, where it is possible, is the most economical method of providing for disabled persons and is, of course, the most satisfactory for the individual. Some people fear that disability benefits payable on an insurance basis would hinder rehabilitation; that the disabled person would cling to the security of the benefit in preference to the uncertainty of a work situation. This is not only a fear of deliberate malingering but, even more importantly, a fear that the benefit would foster psychosomatic illnesses by making them attractive in terms of financial security. There is no doubt that these are serious problems which must be taken into full account in the development of a disability program. There is a great deal we do not know about the motivation of the disabled person. How can we encourage his desire to be independent and foster his drive once again to be a free, fully functioning person? How can we help him to move away from the relative "safety" of helplessness?

In spite of these difficulties, however, it is clear that we must give the disabled financial support while being rehabilitated if rehabilitation is feasible—for the rest of their lives if rehabilitation is not feasible. We have no intention in this country of allowing the disabled to go without the necessities of life. That is why in 1950 we adopted a Federal-State program of assistance for the permanently and totally disabled. The issue is now quite clearly one of method. Should the means test be retained for the disabled or should their support be put on an insurance basis?

There is no general agreement on this issue. Two compromise proposals have been suggested. One approach is to design a disability insurance program with very strict eligibility and benefit provisions so as to make certain that only persons with long records of employment become eligible for benefits, that the benefits paid are low in comparison with the accustomed standard of living of the individual, and that they are paid only after a long waiting period and after every effort at rehabilitation has been exhausted. Another possibility is to pay the benefits only after the attainment of a given age—say, 50 or 55. Most of the arguments made against disability insurance, even if generally valid, have little application to proposals for lowering the retirement age for those with total disabilities.

PRIVATE PLANS AND GOVERNMENT REGULATION

The recent rapid spread of private pension plans and the expectation of further rapid growth in the near future has led to concern about the security of some of the plans now being established. Will they be able to continue under less favorable conditions? If not, will Government be under pressure to assume the obligations of some of these plans in order to protect the expectations of the workers?

It is true that the continued existence of a private plan depends on the financial position of its sponsors. Plans established in prosperity and under favorable tax conditions may be discontinued under less favorable circumstances. Even during prosperous times, many plans are discontinued. About 15 percent of the plans (covering, however, a relatively small percentage of employees) approved by the Bureau of Internal Revenue since 1942 have been dropped. In our economy, individual businesses are continually being replaced by other enterprises and whole industries become outmoded.

It is a very serious matter to promise security which does not materialize. It is quite likely that the inability of any big collective bargaining plan to continue would result in pressure for Government to assume the liabilities of the plan. Some argue, therefore, that it would be desirable to require strict funding of private plans as a condition of tax offset under Federal law. Others hold that the Government should offer to operate supplementary plans by allowing employers and employees to buy additional protection under the Government system on an actuarial basis and with all rights vested in the individual so that he would receive some protection in spite of the failure of an individual business or the discontinuance of a plan.

Both of these suggestions require much more thorough study and discussion before they are given legislative consideration. Additional regulation of funding by Government would be a very complicated administrative task. Criteria are difficult to establish and, moreover, real control would involve the Government in a determination of the most likely assumptions for cost estimating. For the Government to sell protection supplementary to old-age and survivors insurance would have the advantage of providing a way for the supplementary protection to follow the worker from job to job. On the other hand, employers can now buy such protection for their employees from private insurance companies if they so desire. The cost is high but it would also be high if operated by the Government. No clear need for Government operation in this area has yet been demonstrated.

Because of the interest in vesting provisions, it has sometimes been proposed that certain minimum vesting be required in a plan as a condition of approval for tax offset. There are other desirable features of private plans which might also be required. However, this type of regulation should be approached with great caution, if at all. By and large, the provisions of private plans should be left to individual decision and collective bargaining. Only by leaving individuals and groups free to experiment and to deviate from what is now considered desirable will the private plans be able to pioneer in new fields and solve some of the problems which have been raised in this report.

PART V

SUMMARY AND RECOMMENDATIONS

SUMMARY

Great progress has been made in the United States in the last 15 years toward solving the problem of income maintenance in old age. Nine out of ten workers are now earning retirement protection under a public program as they work, nearly 8 out of 10 under old-age and survivors insurance. One out of five of those covered under old-age and survivors insurance is also earning supplementary protection under a private plan.

Even so, much remains to be done. The situation of the present aged is quite unsatisfactory. Benefits are low, on the average considerably below subsistence except for those few, some 350,000, who are drawing pensions under both old-age and survivors insurance and private plans. The situation of aged widows is particularly unsatisfactory. While public retirement plans are at present paying about two-thirds of the retired men and their wives, and single and divorced women, less than one-fourth of the nonworking widows over 65 are drawing such benefits. Private plans pay benefits to not quite 10 percent of the first group and to very few of the second group. Another group for whom present arrangements are particularly inadequate is made up of those who were prematurely retired because of permanent and total disabilities.

There seems to be little reason for thinking that present pension commitments are too high for us as a nation. Pension payments to those 65 years of age and over now represent slightly less than 1 percent of the national income and, with greatly expanded coverage and liberalizations sufficient to keep up with increases in productivity, they would represent about 3.7 percent of the national income in 1975. The retired aged now make up about 10 percent of the nonproducers and by 1975 will represent perhaps 13 percent, but other nonworking groups are expected to stay the same or decline slightly so that the ratio of the gainfully employed to the nongainfully employed will be about the same in 1975 as now or even somewhat improved.

It is likely that under pension arrangements the burden of supporting the aged will be less than it would be in the absence of such arrangements. It is important, however, to continue to employ as large a proportion as possible of those aged who can and want to work both to reduce pension costs and to increase the total volume of goods and services available for all consumers. In this connection, pension plans should be designed so that they do not interfere with the employment of older workers or unduly inhibit the mobility of the labor force, since these results would reduce the total production of the economy.

The problems of fund accumulation need further study. There is some doubt as to whether interest-earning reserves are a very satisfactory way of meeting a major part of the long-run costs of retirement systems. The accumulation of these funds contributes to the productivity of the economy, but because they are largely invested in bonds their income does not increase as the productivity of the economy increases. Yet it is likely that the realistic liability of retirement systems must be measured in terms of the standard of living current at the time pensions are payable. As productivity increases and wages increase over the long run, people will expect bigger pensions. In such a situation funding is not as effective a way of financing as it is frequently assumed to be.

Perhaps the biggest problem for the future of pension planning is the interrelationship of the various arrangements for the income maintenance of the aged. What should be the relationship between old-age and survivors insurance and the veterans program, the other governmental systems, private plans, and public assistance?

In planning the public program it is not possible to assume that most beneficiaries will also be entitled to private pensions. Not more than 10 or 15 percent of the retired aged will be getting private pensions even 10 years from now and it will take at least a generation before private plans are paying even 20 to 25 percent of those aged who are not dependent on earnings. Old-age and survivors insurance will continue to be the only kind of organized retirement plan for most people.

In improving private plans in the near future some plans will need to put emphasis on increased benefit amounts. A large number will need to do more for the worker who changes jobs. Perhaps the major need for improved protection is for those who become permanently and totally disabled. This is true in both old-age and survivors insurance and most private plans. How can we increase the number who are rehabilitated and what is the best way of maintaining those who are not rehabilitated?

A matter for debate during the next few years will be whether it is desirable, while retaining the present wage-related contributory approach, in the public program, to blanket-in the present aged and adopt a universal pay-as-you-go method of financing. Such an approach has certain obvious advantages, but it also might result in a weakening of public support for and understanding of a contributory wage-related program.

In spite of disagreement on some points there is widespread agreement among business, labor and expert opinion in the United States concerning the broad pattern which should be followed in meeting the income maintenance needs of the aged. The pattern is this: employment for those aged who can and want to work, and for those who retire a universally available system of publicly administered old-age and survivors insurance, contributory in nature and wage related, plus supplementary retirement systems which take into account the protection afforded by old-age and survivors insurance but give additional benefits. The desirability of additional savings which the individual accomplishes on his own according to his ability and inclination is taken for granted. There is also support for public assistance available for those who even with full coverage by retirement systems will not have income sufficient to meet their minimum needs in old age.

RECOMMENDATIONS

So far Pensions in the United States has described existing arrangements for the income maintenance of the retired aged, indicated an area of broad agreement on future policy, discussed the economics of pensions, and raised the issues of public policy which seem most significant in considering what lies ahead. It remains to recommend a line of attack on remaining problems. What should be done next to advance our factual knowledge in the area of pensions and what should be done next to promote a satisfactory solution of the policy questions? Here are three major recommendations:

1. The establishment of a professional committee on research.

Research on pensions in the United States and related questions is being performed by a great variety of Government agencies, private foundations, colleges and universities, business organizations, trade-unions, and other groups. It is desirable, of course, that research be done by many different groups and pursued from many different points of view. More could be accomplished, however, if new projects were selected in the light of fuller knowledge of what is currently being done by others and fuller understanding of the important gaps in present knowledge. For this reason there is included in the appendix to this report a listing of research now in progress. This listing, however, is but a very modest beginning. We believe that there is need for a professional committee on research which would be representative of the organizations interested in the field and which would function on a continuing basis. It may not be feasible for such a committee to make an over-all research plan. We do believe, however, that it could serve as a medium for keeping people informed on current research, could give advice on the establishment of new projects, and from time to time bring to the attention of foundations, universities, Government agencies, and others the need for additional analysis or fact-gathering in important areas. The committee would need a small staff of one or two persons and, although broad in total membership, would need a relatively small executive group who would be able to devote considerable time to the project. We believe that such a committee could make an important contribution toward the most efficient use of research facilities.

2. The establishment of an advisory commission which would make policy recommendations regarding the interrelationship of the various provisions for the income maintenance of the aged.

In addition to a professional committee working in the area of research, we believe there is immediate need for an advisory commission on policy which would be representative not only of expert opinion but of management, labor, agriculture, veterans and the other groups directly involved in the problem of the income maintenance for the aged. Policy formation, although dependent on research and the analysis of facts, also involves value judgments and the reconciliation of conflicting interests. It cannot, therefore, be left to the expert or to the researcher.

Of all the problems of policy formation in the pension area, probably the most important and also the most neglected, is the one of interrelationship between the various programs. It is not now the business of anyone to look at the whole problem. By and large Congress must deal with the various income maintenance measures one at a time and usually through different committees. At the most it takes up two at a time as in considering the relationship between public assistance and old-age and survivors insurance in social-security legislation or in the current joint House-Senate study of railroad retirement legislation which includes study of the relationship of the Railroad Retirement System to old-age and survivors insurance. In the House, different committees handle each of the following: Railroad retirement, civil-service retirement, the plans of the Armed Forces, veterans legislation, and social security. In the Senate these programs are considered by four different committees. The jurisdiction of the committees, except in the case of social security, is determined largely by the group affected by the legislation rather than by the fact that the legislation pertains to pensions.[1]

Who then is to take responsibility for looking at the problem of interrelationships in the pension area as a whole? Who is to take responsibility for looking at the veterans non-service-connected pension in relation to old-age and survivors insurance, and at the relation of the regulation and taxation of private plans to the various public retirement systems? Who is to consider how the Armed Forces system, the railroad retirement system, and the civil-service retirement system can be integrated with our other pension measures? What, in the light of all other provisions, should be the future role of public assistance?

We believe that a report on such subjects by a commission representing both expert opinion and the groups involved would be extremely helpful to the congressional committees charged with the responsibility for the individual programs. Such a commission would have to meet over a considerable period of time and would need the services of a small full-time staff.

3. Provision should be made for the collection of more complete and more representative data in the field of private pensions.

What information we now have on private pensions comes from a variety of sources but all of it is partial and incomplete. One cannot now be sure of even such elementary information as the number of persons covered by private plans, the number of plans, the coverage of various types of plans, the amount of money going into pension funds, and so forth. All surveys to date have been limited in their coverage and have usually been confined to the relatively large employer. We believe that it would be extremely desirable to conduct a Nation-wide survey of employers which would be representative of all employers in order to establish broad points of reference for later more detailed studies. (The Social Security Administration has done some preliminary work which looks toward such a survey.)

[1] It is proper that this should be so. If all pension questions were handled by the same committee, equally difficult questions of relationship with other areas would arise—for example, the relationship of pensions to salary and other compensation in the Armed Forces.

In addition, we believe that provision should be made for putting out, on a continuing basis and in the most usable form, data on pensions which are now available to the Government as a by-product of the administration of section 165 (a) of the Internal Revenue Code. We recognize that there are difficulties in the way of securing regular up-to-date publication of this information but we favor the establishment of an advisory technical group to explore what can be done and to make recommendations.

PENSIONS IN THE UNITED STATES

The provision of an assured retirement income is a prerequisite for satisfactory living in old age, but it is by no means a guaranty. Retirement income is necessary to give freedom from a sense of insecurity and freedom from feeling one is a burden on others. These are important freedoms, but the provision of income in old age should do even more; it should provide the economic base for a good life. Whether it does so in fact, depends not only on the amount of the income but on the capacity of the individual to adjust to his new life of retirement and on the opportunities open to him to make his new life rewarding.

The needs of the aged are as varied and as important as those of any other group. The aged cannot be given a pittance and then put off in a corner of community life and forgotten. Today, hundreds of thousands of pensioners are living out their lives friendless and alone—often in ill health, unoccupied, and without purpose. With many years of life yet ahead they are already awaiting death. The payment of a pension simply to keep them alive is not enough. The aged must be given the chance to participate in a variety of activities. They must have opportunity for recreation, for creative activity, for making friendships. They must have the opportunity to secure satisfactory living arrangements and satisfactory health care.

For those who throughout life have learned to adjust to changing conditions, retirement on a reasonably adequate income holds real promise. It does not need to be retirement from something, it can be retirement to something; for increasing age can mean not only the loss of powers, but growth. Older people can and want to learn. Old age can be, and has for many been, a time of creative activity and rich rewards.

It would be difficult to overstate the role of assured money income in making retirement a new opportunity rather than a waiting for death. The improvement of income maintenance arrangements is, therefore, perhaps the most important single aspect of the movement to make life worth living for the retired aged.

APPENDIXES

Appendix A

PENSIONS IN A DEFENSE ECONOMY

For at least the next year or two, the dominant factor in our economy will be the requirements of national defense. In 1952, defense expenditures, including foreign aid, will absorb about 15 percent of the total production of goods and services. A further increase in national security outlays is expected to occur between now and the latter part of 1953. While under present programs defense expenditures are expected to level off at that time, a change in the international situation might cause them to increase and in any event they may well continue to be high for 10 or 15 years, or even a generation. How should we view the pension problem in this setting?

With the leveling-off in defense expenditures, the prospect of cut-backs in consumer goods is fading. Nevertheless, any increase in the flow of goods and services going to the aged during the next year or so may result in an actual decrease in what is available for other groups. It appears that after 1953, if productivity continues to increase, it will be possible through relatively full utilization of our capital equipment and labor force to maintain an adequate defense establishment, provide for sufficient capital formation, and at the same time provide a rising standard of living for the various groups in the population. In fact, if expenditures for defense can be reduced, the main problems will be those connected with adjusting to a much higher level of consumption than in the past. We will have a greatly expanded productive capacity and it will be of great importance to increase the ability of people to buy. Although our immediate problem is whether it is desirable to allow these plans to expand during a period of inflation or threatened inflation, by 1954 or 1955 we may be much more concerned about the possible deflationary effects of pension funding.

Just what effect do pension plans have on the price level in a period of threatened inflation? It is convenient for analysis to consider the effect of pension plans on the price level in two parts—the effect of pension plans on demand and the effect of pension plans on costs, although realistically it is not possible to make a clear-cut separation. On the demand side there is no doubt that the effects of pension plans have been largely good during an inflationary period. The large excess of income over outgo in both the public and private programs has reduced consumer demand and thus been a deflationary factor. Any liberalizations of benefits in the private plans which are covered by increased funding would increase the excess of income over outgo. With pension increases only a few people have their present purchasing power increased, for relatively few are drawing pensions, but additional funding for all covered workers, resulting in reduced consumer demand, is required to pay benefits in the future.

Insofar as such pension improvements substitute for wage increases, the economic effect during inflation is particularly good; the pension funding is deflationary in itself and in addition it substitutes for inflationary wage increases. Moreover, the use of these funds to finance part of the defense effort reduces the need to depend upon an inflationary expansion of bank credit.

If payments to pensioners are increased without any corresponding change in the funding arrangements, the effect, of course, is to reduce the amount of income over outgo and thus reduce to that extent the deflationary effect of present arrangements. For example, an increase in benefit payments under the public program without an increase in the tax rate would increase demand somewhat over what it would be in the absence of the liberalization. Other changes in the public program which many feel are desirable on general grounds would have an immediate deflationary effect. The most important of these are extension of coverage to the presently excluded groups and an increase in the maximum contribution base. These changes would in the near future increase the income of the system more than the outgo. Under present law, income to the system in 1953 is estimated to be about $4.2 billion and outgo $2.7 billion. With a general extension of coverage, and an increase in the maximum contribution base to $6,000 per year, the total income of the system would be about $5.8 billion or an increase of $1.6 billion. Most of this increase in income would be in the nature of deferred savings; benefit expenditures in the near future would not increase very much as a result of these changes.

The contribution rate under old-age and survivors insurance is scheduled to rise at the beginning of 1954 from the present combined employer-employee rate of 3 percent to a combined rate of 4 percent. Under present law, the total income to the system in 1954 would be $5.3 billion and outgo $3 billion. If coverage were generally extended by that time and the maximum contribution base increased to $6,000, the comparable figures would be $7.3 billion and $3.3 billion. If benefit levels were also increased at that time by 15 percent, for example, the excess of income over outgo in 1954 would still be $3.5 billion under the conditions given.

Decisions on contribution rate, benefit increases, wage base, and extension of coverage in old-age and survivors insurance have long-range effects on the security of most Americans. They should not be made primarily because of the effect on the price level at a given time. If improvements which are good in themselves coincide with broad fiscal policy, so much the better, but extension of coverage, for example, is desirable even in a period when deflation rather than inflation is the danger.

Although the effect of pension plans on the demand side is deflationary, on the cost side the effect may add to inflationary pressures. If increases were to be given to current pensioners without an increase in funding for current workers, the net effect would, of course, be similar to wage increases and would be inflationary on both the demand and the cost side. Pensions increase the cost of doing business, and when demand is strong at least part of this cost will tend to lead to price increases. It is difficult to determine how much pensions increase costs over what they would otherwise be. Part of the cost, as has been pointed out, is financed by tax reductions and does not increase business expenses. (The end result of the reduction in tax income resulting from pension plans may be inflationary, however, since it increases Government borrowing. Yet this effect may be largely offset, because funding makes a large part of what would have been tax payments available for investment and thus reduces the need for credit expansion.) Moreover, to a greater or lesser extent, the increased costs arising from pensions must be viewed as substituting for increases in wage costs. The inflationary effect of increased pension costs is dependent on how much of the increase in cost is in excess of what wage costs would have been in the absence of pensions. This question needs further study, but it seems unlikely that, in view of the deflationary effect of funded pensions on the demand side, the increases in cost will prove seriously inflationary.

In February 1952 the Wage Stabilization Board issued General Wage Regulation No. 21, which largely removes pensions from controls. Except for certain safeguards designed to prevent pension and profit-sharing plans from being used to increase the immediate income of employees, unions and employers are now free to bargain on the establishment of new plans and the improvement of existing plans. In issuing the order on pensions, the Wage Stabilization Board gave an additional reason for its position. The Board said the danger that these plans will result in inflationary additions to business costs is minimized by the widespread realization among employers and unions that such plans—because of their cost and because they involve long-term commitments—must be inaugurated or modified with great caution and only after careful planning, so that prudent judgment should operate as a particularly strong stabilizing influence in this field. Whether this proves to be the case in practice will be a subject for study by the Board. Under present policies, some of the pressure for higher wages will certainly be channeled into pension liberalization. The tax situation is extremely favorable to the establishment and liberalization of pensions, and union pressures may well meet with relatively mild employer resistance. Section 8 of General Wage Regulation No. 21 provides for a review of the order in the light of experience.

Another aspect of the pension problem, mentioned previously but which deserves special study in connection with defense, is the extent to which private plans are preventing older workers in critical occupations from taking defense jobs. No one has yet devised any very good plan for protecting the pension rights of an older worker who moves temporarily into a defense plant. It is not enough to grant him rights for the time he is so employed. Under the plans covering most mass production workers he would have to be guaranteed reemployment rights on his old job, since only those employed at the time of retirement get anything at all. Granting a legal right to the old job, however, seems a very drastic remedy for this problem and a very difficult right to administer.

Appendix B

RESEARCH IN PROGRESS

In this appendix we are listing those current projects which have been reported to us in the course of our study. Some have since been completed; a few completed just before the beginning of the study have also been included. It has not been possible, of course, to list all current research. Projects falling predominantly within the scope of geriatrics or medical research have been entirely omitted from this list.[1] The materials here included have been grouped under the following headings: "General" (i. e., related to more than one of the subdivisions); "Private pensions"; "Governmental retirement systems"; "Other programs of income maintenance"; "Employment and retirement"; "Physiological and psychological research"; and "Disability and mortality." In addition, it was thought useful to include a list of commissions or committees on aging established in several States, whether or not they were currently engaged in research. (Research reports received from these commissions and committees have been incorporated in the topical list.)

GENERAL

Alfred University, Department of Sociology

Prof. Roland L. Warren has supervised field studies on the needs of, and services available to, older people in rural communities of New York State. Two studies have been completed, one on Older People in Almond Town, the other a study of several counties. A community research project covering 77,000 people in the three counties adjoining Alfred, N. Y., is in progress.

American Public Welfare Association

With the help of a grant from the Doris Duke Foundation, the APWA committee on the aging, Elizabeth Wickenden, special consultant, has begun a study of the problems of the aging as they relate to the work of public welfare agencies.

Bridgeport Community Council, Bridgeport, Conn.

Under the direction of P. W. Swartz, the council has recently completed a Nation-wide survey of community attitudes toward older persons and community services now available to the aged. Special emphasis was placed on the employment problems of the aged, retirement, housing, and social life. The survey was conducted in 155 communities.

Cleveland Welfare Federation, Cleveland, Ohio

Committees have been at work on many phases of the problems faced by the aging, including the following: (*a*) occupational opportunities for women office workers over 35; (*b*) need for expansion of sheltered workshop opportunities; (*c*) current pension and retirement practices; (*d*) need for an old-age center; (*e*) better placement facilities for the severely handicapped; (*f*) spiritual help for older people; (*g*) homes for aged; (*h*) noninstitutional living arrangements; (*i*) older persons—general aspects of the problem of aging. Studies completed include one on Trends in Pensions and Retirement With Their Implications for Welfare Planning.

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[1] For a brief annotated bibliography see Selected References on Aging, Federal Security Agency, Washington, D. C., U. S. Government Printing Office, 1952. 36 pp. For a comprehensive and specialized compilation see Shock, Nathan W., A Classified Bibliography on Gerontology and Geriatrics, Stanford, Calif., Stanford University Press, 1951, 599 pp., with current supplements "Index to Current Periodical Literature," Journal of Gerontology, passim.

Florida State Improvement Commission

Under the direction of Irving L. Webber, supervisor of the commission's retirement research division and author of a survey, The Retired Population of St. Petersburg, Its Characteristics and Social Situation (published in mimeographed form in November 1950), three similar surveys were made in West Palm Beach and Orlando. As in the St. Petersburg survey, schedules were obtained from retired residents and members of their households. The new surveys report sources of income and contain information on personal adjustment, information not secured in the earlier survey. The Orlando study of retired people is scheduled for publication toward the end of 1952. One West Palm Beach study has been reported as a thesis (Glenn V. Fuguitt, The Retired People of West Palm Beach, Gainesville; University of Florida, 1952). Mr. Fuguitt's study was limited to white retired people. In August 1951 approximately 100 schedules were taken on Negroes aged 60 and over living in West Palm Beach. This study, financed by the Florida State Improvement Commission, was carried out in cooperation with Dr. Charles U. Smith, professor of sociology at Florida Agricultural and Mechanical College.

In 1951, the improvement commission cooperated with social scientists of Florida State University in conducting studies of white persons aged 60 and over in two smaller Florida communities—St. Cloud and Winter Park. (Summarized by Dr. Samuel Granick in the Journal of Gerontology, July 1952, and by Gordon J. Aldrich and Samuel Granick in Papers in the Natural Sciences and Social Sciences, Florida State University Studies No. 8, Tallahassee, 1952.)

A manuscript entitled "Planning Housing for the Aged," based on a search of literature on the design of living accommodations for older people is to be completed early in 1953.

A study was prepared by Dr. T. Stanton Dietrich of changes in Florida's older population. This study, Florida's Older Population, was publish in January 1952, as the division's Research Report No 2.

Another cooperative project was started early in 1952 by the Engineering and Industrial Experiment Station of the University of Florida. This project has two objectives: (1) To determine whether the idea of a neighborhood village sponsored by a large concern for its retired employees has found wide enough acceptance among older people to justify the construction of such a village; (2) if acceptability of such a village is established, to examine factors affecting choice of location, construction, and service needs, etc., for developing low-cost housing.

Harvard University, Graduate School of Business Administration

Prof. B. A. Lindberg and associates, using the nondirective type of interview, have collected a large amount of material on the problems of aging from retired persons, employees of business, executives, and personnel administrators. A report is now in process.

Haverford College, Department of Political Science

Prof. Herman M. Somers is preparing a book on social security, including private pensions, with emphasis on the role of these programs in a continuously expanding, high-employment economy.

Tentative date of completion: 1953.

National Association of Manufacturers

The association is preparing a study tentatively entitled "Retirement Security in a Free Society." The object is to provide "a factual and ideological basis for a sound position consistent with the principles and capacities of a free-enterprise economy." To this end, the study will deal with the following major topics:

(*a*) Historical development of the concept and institution of pensions in the United States.

(*b*) Population trends; economic and political aspects of an aging population, including economic resources and employment opportunities.

(*c*) Appraisal of existing program of old-age security and proposed alternatives and amendments.

(*d*) Philosophy and economic basis of a sound national policy on pensions.

The study is being undertaken for the employee benefits committee, a policy committee of the NAM, and not primarily for public distribution. Completion of the study is expected some time during 1953.

National Committee on the Aging of the National Social Welfare Assembly

This committee composed of persons with special experience or interest in the problems of aging has served for some time as a medium for the exchange of ideas and information. With the help of a grant from the McGregor Fund the committee held a conference on retirement in January 1952. A report of the conference, including background material prepared for the participants, will shortly be published by Putnam's in a volume entitled "Criteria for Retirement."

An additional 2-year grant from the McGregor Fund will enable the committee to work toward the development of tools which could aid in the determination of whether a worker should retire or continue on the job.

National Industrial Conference Board

The board has completed a study, "Computing the Cost of Fringe Benefits," which analyzes difficulties faced by companies that have attempted to compute and compare fringe costs. Selected companies were asked how they defined the term "fringe benefit," how they arrived at actual cost figures, how they used the data, and the pros and cons of their methods.

Comparability of fringe-cost figures is discussed with emphasis on lack of standards for valid comparison. Case studies of nine companies are included to show in detail various ways in which companies attack the fringe-cost problem. (Published by the National Industrial Conference Board in October 1952.)

New York City Mayor's Advisory Committee for the Aged

Under the chairmanship of Raymond M. Hilliard, the committee, through a subcommittee of which Dr. Louis I. Dublin is chairman, has embarked upon a series of research projects financed by the Rockefeller Foundation and directed by Dr. Joseph H. Bunzel.

1. Inventory of current research on the aged. (Census of research undertaken by universities and colleges completed and ready for distribution.)
2. Inventory of resources and current needs of the city's aged.
3. Analysis of 1950 census data on the aged.
4. Analysis of the data on older persons obtained by the Health-Insurance Plan of Greater New York in its current survey of 10,000 persons.
5. A sample study of old-age assistance recipients. (Completed.)
6. Studies of housing needs of older persons and of plans to meet them. (One sample study completed and ready for distribution.)
7. Analysis of the situation of present city retirement pensioners.

8–11. Studies of the effect of day-center attendance as it relates to mental health needs of older people and geriatric services. (Two studies of clinic attendance and personal adjustment completed.)

12. Survey of older chronic invalids in Staten Island to determine present care, the extent to which they require the services of able-bodied persons, and potentialities for rehabilitation for self-care.
13. Preparation and coordination in the design of pertinent research problems for graduate student theses and development of training programs for workers in the field of the aged. (Four papers completed—testing the ego strength, reading habits, employability, and long-range developments of assistance.)
14. Exploration of programs of community services, e. g., civil defense, for older persons.
15. Study of age limitations in Federal and State civil-service examinations.
16. Establishment of a senior citizens reading group and a testing of the attitudes of the users of public libraries. (Initial program completed and now independently continued.)
17. Test, in cooperation with City College, of the attitudes of three age groups (20, 40, 60) toward aging.

(NOTE.—Abstracts of completed studies and abstracts of findings available upon request.)

New York State Joint Legislative Committee on Problems of the Aging

The committee, under the chairmanship of Senator Desmond, Albert J. Abrams, director, has published five annual volumes presenting informed views and the results of current research relating to problems of the aging. Recently, the committee completed: (*a*) A survey of New York State activities for the aged; (*b*) an international survey of special measures to provide employment, housing, and recreation for older persons, based on information solicited, largely by mail, from American embassies, foreign missions in the United States, and gerontologists throughout the world; (*c*) a survey of training and placement of older persons by trade and correspondence schools; (*d*) a survey of 56 old-age homes in the State, relating particularly to the financial stability of the institutions and their ability to meet future needs without governmental assistance: (*e*) a pamphlet entitled "What's Your Problem? A Resource Guide for Senior Citizens," which lists and interprets services available to older persons through public and private agencies: (*f*) a "Letter to employers" (for early publication) comparable to an earlier "Memo to the older worker" rendering practical advice on the question of finding employment; (*g*) at Vassar College the committee has sponsored a program for developing community and regional leaders familiar with the problems and needs of the old and interested in programs for their care.

The committee's major research problem for 1953 is to obtain the experience of industry in adapting jobs to older workers.

Rhode Island Governor's Commission to Study Problems of the Aged

The research activities of the commission encompass the following projects:

1. A survey by mail questionnaire on the subject of private pension plans of the approximately 10,000 employers in Rhode Island who have four or more employees. Information requested of these employers includes: type of plan, method of financing plan, number of persons covered by plan and number currently receiving benefits, relationship of plan to old-age and survivors insurance, range of monthly pension benefits, retirement age, and number of current employees 65 years of age and over. Returns are coming in and are at present in the process of being tabulated.

Supplementing this survey are smaller studies of the extent of coverage under Federal Government, State, and municipal pensions, and the Railroad Retirement Act.

2. A series of small surveys to assess the extent of services to older persons of various organizations in the State, such as: homes for the aged, licensed nursing and convalescent homes, general hospitals, public recreation, churches, etc. These surveys are regarded as supplementary to a large over-all survey and are in various stages of analysis.

3. A large over-all survey, by means of personal interviews, of a representative sample of the aged population in Rhode Island to be made with the assistance of the United States Bureau of the Census. Areas to be covered in the schedule include work experience, sources of income, assets and liabilities, type and condition of dwelling unit, adequacy of living arrangements, health status and medical services utilized, and use of leisure time. Following a pilot study in December 1952, the field work will be undertaken early in 1953, and the analysis and interpretation of the findings is expected to be available by spring 1953.

Syracuse University, Department of Psychology

Prof. Raymond G. Kuhlen has underway a number of studies dealing with attitudes toward older persons and old-age, interests, activities, and job satisfactions.

Twentieth-Century Fund

A study of economic needs of older people under the direction of John J. Corson and John W. McConnell is nearly completed. Its focus is on the economic situation and to some extent the place in society of the aged in America today, their resources from whatever origin, and their needs. The study is to bring together the most significent available facts. In particular, the extent and significance of earnings, savings, private pensions—including those won through collective bargaining—veterans' benefits, social insurance, and public assistance will be assessed against the background of population trends and with a view to examining the resources available to meet the problem in our growing national economy. The study will include the result of a mail survey of recipients of certain private industrial pensions and also the results of some special tabulations from the 1950 census. These tabulations will include breakdowns of the aged by race, nativity, sex, urban and rural residence, hours worked, occupation, industry, individual income, income by family heads, etc. In conclusion, a consolidated program or variety of programs will be outlined and evaluated in terms of what each part can contribute to a solution of the problem.

Tentative date of publication: 1953.

A study on employment and wages in the United States has been completed under the direction of W. S. Woytinsky. It includes consideration of the age factor in relation to earnings, employment, continuity of work, industrial and occupational mobility of labor, private pension plans, social security, etc.

Tentative date of publication: 1952.

A revision of America's Needs and Resources, first published in 1947, is currently being made by J. Frederic Dewhurst and associates. This revised study will contain basic data on the aged in chapters dealing with the population, labor force, Government finances, welfare, etc.

Tentative date of publication: 1953.

United States Board of Governors of the Federal Reserve System

Each year the Board conducts a Nation-wide sample survey of consumer finances. It secures data on consumer saving and dissaving, liquid assets, etc., some of which are tabulated—though not necessarily published—by age group.

United States Department of Agriculture, Bureau of Agricultural Economics

The Bureau, in cooperation with the Connecticut, Wisconsin, and Texas Agricultural Experiment Stations and the Bureau of Old-Age and Survivors Insurance of the Social Security Administration, has conducted sample surveys of the farm population in Connecticut, Wisconsin, and Texas to ascertain current provisions for, and attitudes toward, retirement among farm operators and farm workers. The sample included about 700 persons in Wisconsin, 750 in Connecticut, and 320 in Texas. Questions on tenure and work history, assets, liabilities, financial security, attitudes toward the social security program for themselves and their employees were asked of the farm operators and comparable questions were asked of the farm workers.

Tentative dates of publication: late 1952 and 1953.

United States Department of Commerce, Bureau of the Census

Current work includes the completion of the tabulation and publication of the 1950 Census of Population. The State bulletins, General Characteristics of the Population, show final data on the age distribution of the population, and contain data for counties, standard metropolitan areas, urbanized areas, and urban places. These bulletins also contain distributions by income levels of families and individuals based on a 20 percent sample of census returns. More detailed data on age and income are being published in the series of State bulletins on Detailed Characteristics of the Population to be completed by the spring of 1953. This series provides data for standard metropolitan areas, cities of 100,000 or more, and States. The reports present income distributions of persons, rather than families, based on the 20 percent sample which shows the relationship of total income to age, race, occupation, industry, and other characteristics. Employment status by age and marital status, as well as occupational and industrial characteristics by age, are also published in this series.

Detailed tabulations of data on families and persons based on 3⅓ percent samples complete the 1950 population census program. Statistics on families show their social and economic characteristics, e. g., age, sex, color, and residence of head, classified by income, employment status, size of family, occupation, education of head, and so forth. The 3⅓ percent sample provides estimates of detailed occupation and detailed industry, by age for individuals. These data will be made available during the early part of 1953.

Census Bureau data other than those collected in the 1950 decennial census include estimates from the current population survey, a monthly survey of a sample of households. Monthly estimates of employment status, by broad age groups, and quarterly estimates of occupation, by age, are provided by this survey. Annual estimates of family and personal income for the country as a whole also are provided. Annual estimates of the total population of the United States by 5-year age group intervals are prepared by the Census Bureau for July of each year. The Bureau has also revised its projections of future population on the basis of the 1950 census findings. Projections of the population by States, for 1955 and 1960, and provisional revisions of the projections of the total population of the United States for July 1, 1953 to 1960, have been prepared.

United States Department of Labor, Bureau of Labor Statistics

The research program of the Division of Prices and Cost of Living provides data which have a bearing on the pension and other economic problems affecting older persons.

The Division has prepared cost estimates for the budget of an elderly couple, based on October 1950 price levels in 34 cities. The results were published in the September 1951 Monthly Labor Review. This budget, which describes a modest but adequate level of living for an elderly couple, was developed in cooperation with the United States Social Security Administration in 1947.

A Nation-wide survey of consumers in 91 urban places was completed in the spring of 1951. Data on the 1950 expenditures, income, and savings of a sample of consumers, representative of the total urban civilian population, were collected. The first tabulations do not include breakdowns of expenditures or incomes by age or any other family characteristics. As funds and time permit, tabulations by age and other family characteristics are being made.

The Consumers' Price Index is published monthly for 34 large cities combined, with separate city indexes for 10 cities, and is published quarterly for 24 cities. This index measures changes in retail prices of goods and services purchased by moderate-income families in large cities.

United States Department of Labor, Women's Bureau

The Bureau engages in continuing research on the problems of older women. It analyzes available statistics on older women in the population and labor force and, in this connection, has made available a report entitled "Facts on Older Women Workers" which provides basic statistical data on the older woman. The Bureau provides consultative advice to local organizations which are concerned with the employment problems of older women and provides technical assistance on research programs. A survey of women's organizations was conducted recently by the Women's Bureau in a number of cities in order to determine in what activities, related to older people, the various groups were engaged. In response to specific requests, the Bureau is able to supply statistical and other factual information relating to employment, retirement, and pension problems of older women.

United States Federal Security Agency

The Agency, in cooperation with other Government departments, sponsored in 1951 the first national Conference on Aging. A report of the conference "Man and His Years" has been issued. (Health Publications Institute, Inc., Raleigh, N. C.)

United States Federal Security Agency, Committee on Aging and Geriatrics

The function of the committee, which is under the chairmanship of Clark Tibbitts, is "to keep itself informed as to emerging problems and knowledge in the aging field, to explore the implications for Federal departments and stimulate interest within them, and to aid the country in other appropriate ways in making sound and fruitful adaptations to our aging population." Apart from representatives of the constituent units of the Federal Security Agency, representatives of the Federal Departments of Agriculture, Commerce, and Labor, and of the Housing and Home Finance Agency hold membership in the Committee. The Committee is instrumental in putting out an informational publication, Aging.

Recently, the committee published a Fact Book on Aging containing selected charts and tables on the personal characteristics, income, employment, living arrangements, and health of older persons in the population (U. S. Government Printing Office, Washington, D. C.) and Selected References on Aging compiled by the Library of the Federal Security Agency (U. S. Government Printing Office, Washington, D. C.)

United States Federal Security Agency, Social Security Administration, Bureau of Old-Age and Survivors Insurance

The Bureau tabulates detailed information on employees covered under the old-age and survivors insurance provisions of the Social Security Act: age, sex, race, insurance status, industrial distributions, employment and earnings, inter-industry and inter-area migration, etc. This information is tabulated back to 1937 for older workers, for beneficiaries of the program as well as those not drawing a benefit thereunder. From these data it is possible to estimate the number of persons eligible for old-age and survivors insurance benefits, the amount of potential benefits, the number of persons approaching retirement age, etc.

In addition, over the past few years the Bureau has conducted a number of beneficiary surveys yielding information about the mode of living, the economic status, health, and other circumstances of persons drawing old-age and survivors insurance benefits. A national survey of old-age insurance beneficiaries, their spouses and children and aged widows, based on a 1 percent sample of the total number of beneficiaries in these groups has recently been completed. Information obtained includes family status, living arrangements, reasons for retirement, nature and extent of employment following retirement, health and ability to work, face value of life insurance and insurance protection against sickness and accident, current income, assets, liabilities and net worth, and the use of assets and indebtedness incurred during the year preceding the survey.

Preliminary findings have been published during 1952 (Social Security Bulletin, August 1952); further publications are scheduled for 1953.

A one-time study based on the collation of a sample of the Bureau's employee data with selected data on age, wage, and industry from the 1950 census (post-enumeration) sample is being conducted. As a result, detailed information will be available in regard to persons aged 65 and over on income received by source, including social security and related payments. Since an age breakdown is available in the tabulations, this survey will, on a national basis, provide the first unduplicated count of income of those 65 and over, by age group. The sample chosen for collating purposes includes approximately 17,000 persons of whom—owing to heavier weighting—about 3,000 are aged 65 and over.

United States Federal Security Agency, Social Security Administration, Division of the Actuary

The Division prepares cost estimates for OASI and conducts studies of insured private plans.

United States Housing and Home Finance Agency

The Division of Housing Research has made analyses of special tabulations of the 1950 census of housing by age groups, including a breakdown by family heads age 65 and over. The sample study has covered home ownership, value, size, occupancy rate, and condition of dwellings occupied, and so forth, of urban and rural nonfarm families. A partial summary of the results was published in a paper by Leonard S. Silk, entitled "The Housing Circumstances of the Aged in the United States, 1950," Journal of Gerontology, January 1952.

University of California, Institute of Industrial Relations (Berkeley)

The institute, E. T. Grether, director, and Lloyd Fisher, associate director, has a grant from the Rockefeller Foundation, for a comprehensive interdisciplinary study of the aging population. The departments of economics, sociology, business administration, political science, and psychology are cooperating in the study. The research work is to be completed in 1952 and publication of results is expected during 1953.

The research studies underway include the following:

1. Development of new demographic estimates and evaluation of existing estimates.
2. An analysis of the asset and income position of older people. Field work for this study was done by the United States Census Bureau.
3. A study by a combined team of political scientists and sociologists of the organization and membership characteristics of an old-age pension movement in California.
4. Separate studies of employer, union, and Government policy toward the older worker.
5. A field study of 1,000 industrial workers in northern California designed to relate measures of physiological and psychological age to work performance.
6. An intensive psychological study of the adjustment to retirement of a small group of retired industrial workers.

University of Florida, Institute of Gerontology

In addition to carrying on gerontological research, partly in cooperation with other institutions listed elsewhere, this university, through its committee on gerontology, planned and organized the first Annual Southern Conference on Gerontology (1951). A report on the proceedings of the conference edited by Prof. T. Lynn Smith was published under the title "Problems of America's Aging Population," University of Florida Press, Gainesville, 1951.

University of Michigan, Institute for Human Adjustment, Division of Gerontology

For the past several years, the division has been conducting research and annual conferences on the problems of aging. Dr. Wilma Donahue, chairman of the division, is currently preparing reports of the last two conferences which were devoted to the rehabilitation of the handicapped worker over 45 and to housing for the aging, respectively.

Publication date: 1953.

The division has prepared a series of recorded lectures by experts on various aspects of the problem of aging which serve as a basis for discussion for groups interested in this problem.

Wisconsin Legislative Council, Committee on Problems of the Aged

The committee, Leo T. Bobel, director of research, has recently made recommendations to the legislative council which in turn will present recommendations on this subject to the 1953 legislature. The committee conducted extensive hearings and undertook studies of some of the major problems of the aged in the State, including old-age assistance, educational and recreational opportunities for the aged, the care of the senile aged, the health problems of the aged, housing for the aged, provisions for self-help among the aged, etc., but has issued no publications.

PRIVATE PENSION PLANS

American Federation of Labor

A committee under the chairmanship of Vice President William L. Hutcheson has prepared a study of the operation of private pension plans to be used as a manual for labor unions in the planning of pension agreements. It was recently published by the A. F. of L. under the title "Pension Plans Under Collective Bargaining."

Bankers Trust Co., New York City

This bank is continuing its studies of industrial pension plans and expects to publish shortly a new survey of pension practices similar to the surveys it published in 1944, 1946, 1948, and 1950. The new survey will analyze and tabulate the important provisions of some of the new plans and recent amendments to certain older plans. It will compare the current practice with that of previous periods and will appraise the trends which appear to be developing in the pension field.

Vice President Roger F. Murray in articles and speeches has commented on the economic and financial effects of accumulating pension reserves and has estimated the present size and possible rates of growth of pension reserves.

Brookings Institution, Washington, D. C.

Under the direction of Dr. Charles L. Dearing, a major study of private pensions has been completed. The study is devoted primarily to presenting and evaluating the role played by these plans in meeting the need for old-age security and to analyzing the economic implications of the plans. It will consider the effects which these plans have exerted or may exert in the future upon the capital market, profits, wages, prices, savings, investment, and labor relations. It aims at presenting an analysis of the more important pension plans now operating in a dozen or so major industries. A mail questionnaire is the basis for a considerable part of the analysis.

The study is scheduled for publication early in 1953.

Chamber of Commerce of the United States

A repeat survey was recently completed to ascertain the extent of employer payments and benefits to workers other than wages. (Fringe Benefits 1951, Washington, 1952.) The benefits covered as wage supplements are the same as in the previous surveys (1947 and 1949), but the questionnaires went to twice as many employers.

Goldsmith, Raymond W., Associates, Inc., Washington, D. C.

As part of an extensive study of saving conducted under a grant by the Research Committee of the Life Insurance Association of America, rough annual estimates have been developed of the total assets of self-administered pension funds and the main types of assets held by them.

Estimated time of completion: toward the end of 1952.

National Industrial Conference Board

The board has published a great many studies of private pensions. A new study is being planned which will cover, among other things, the general subject of compulsory retirement, companies' activities in adjusting employees to retirement, and changes in pension plans due to increases in the cost of living and amendments of the Social Security Act.

Ogden, Warde B., certified public accountant with Price, Waterhouse & Co., New York City

A comparative study was made and published, of the widely varying company accounting practices currently followed in determining the amount of pension costs chargeable in a given year and in reporting to the stockholders. (Journal of Accountancy, January 1952.)

Research Council on Economic Security, Chicago, Ill.

The council has published several studies of industrial pension plans. One of its current projects is a repeat survey of employee benefit plans in twelve metropolitan areas previously surveyed by the council. The survey will also include additional geographic areas representing both urban and rural communities. The aims of the survey include obtaining information on benefits received and their significance in the total income and needs of workers.

Socony-Vacuum Oil Co., Inc., New York City

The industrial relations research department is undertaking a study of various aspects of the present condition and work status of the company's current annuitants. The study is designed to produce information on the economic side of the retirement problem, the productivity of the aged, and the appropriateness of the company's present age limit for mandatory retirement. A survey of pre-retirement practices has been completed.

Spencer, Charles D. and Associates, Chicago, Ill.

A survey of a sample of insured pension plans, each covering less than 100 employees, was made with a view to determining the extent to which small employers contribute to the financing of private pensions. A partial summary based on incomplete returns was published in the National Underwriter, September 26, 1952.

Teachers Insurance and Annuity Association of America, New York City

From an incomplete manuscript by the late Rainard B. Robbins, Dr. William C. Greenough, vice president of the association, has prepared and issued a report entitled "Pension Planning in the United States." The report covers the historical evolution of pension planning and practices in this country from the nineteenth century to the present. Also it has a section on the principles underlying the planning for retirement income which contains a discussion of the objectives in pension planning and a bibliography.

The association has also prepared a report outlining a method for maintaining the real value of annuity payments through investment in equities. The report, entitled "A New Approach to Retirement Income," has been published by the association.

United States Department of Commerce, Office of Business Economics

The National Income Division, in connection with the preparation of estimates of current national income and its components, compiles figures on employer contributions to private pension plans. These estimates are derived from materials and estimates made available by other agencies.

United States Department of Labor, Bureau of Labor Statistics

The Division of Wages and Industrial Relations maintains a file of health, insurance, and pension plans under collective-bargaining agreements. In addition to keeping on file approximately 1,000 such plans which are accessible to the public, the Division has prepared digests of significant negotiated plans and issued bibliographies. The Division has issued a report on pension provisions in the collective bargaining agreements in its files, and has issued other studies dealing with the extent of employee benefit plans, including pensions, under collective bargaining. The latter studies are based on a questionnaire survey of unions. Data developed through this source were supplemented by field visits, materials in the Bureau's files, and other sources. With respect to pensions, the information collected includes data on coverage by industry, by major union affiliation, and by methods of financing.

In the industries and areas covered by its wage structure surveys, this Division also collects limited data on private industry plans whether or not under collective bargaining. Current research includes studies of selected industries and community-wide studies cutting across industry lines. In the former category, the basic steel industry survey has been completed, followed by a survey of petroleum production and refining. A brief record of settlements involving changes in pension plans reported in the press is contained in the monthly current wage developments report. Pension provisions are briefly summarized in the wage chronologies, which deal with wages and supplementary benefits in individual key bargaining situations.

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United States Department of the Treasury, Bureau of Internal Revenue

In connection with the administration of section 165 (a) of the Internal Revenue Code, the Bureau receives detailed reports on proposed pension plans as well as significant changes in plans already established. Most private plans, other than pay-as-you-go plans and the plans of those nonprofit organizations exempt from income tax, must render annual reports. The information collected by the Bureau includes data on eligibility requirements for present and future employees of the firm, restrictions as to classes of employees, formulas governing employer and employee contributions, if any, vesting provisions, and formulas governing computation of benefit amounts. The Bureau also obtains information as of the date on which the plan is first submitted for certification and at any subsequent time when substantial changes in the plan are registered with the Bureau, on the number of employees eligible and those ineligible for participation with the reason for their exclusion, the annual compensation of employees, the annual pension expected under the plan, the total amount of employer contribution, important special features, etc. These files, however, are not open to public inspection.

The Bureau has published a digest of some of this information for the plans processed through August 1946. On a current basis, the Bureau compiles monthly data on the number of rulings issued as to the qualification of pension, annuity, profit-sharing, and stock bonus plans under section 165 (a) of the code; the number of rulings issued with respect to the effect of terminations and curtailments of such plans on their prior qualification; and the number of rulings issued as to the effect of investments of trust funds in the stock or securities of the employer on the continued qualification of such plans. These monthly compilations are summarized annually and are published in the Annual Report of the Commissioner of Internal Revenue.

United States Federal Security Agency, Social Security Administration

The Division of Research and Statistics maintains a file of information on employee-benefit plans providing all types of benefits and including plans sponsored and administered by employers, by employee mutual benefit associations, or under collective-bargaining arrangements. The Division prepares special analyses of significant aspects of such plans, such as the number of pension plans providing disability benefits. It has also prepared summaries of employee-benefit plans in selected industries. The first was a study of 50 plans in the basic steel industry (November 1947). Subsequent industry reports have been based primarily on information obtained through the cooperation of the Bureau of Labor Statistics, United States Department of Labor, in connection with its occupational wage surveys. Reports on employee-benefit plans in the airframe industry, in the petroleum refining industry and in the gas and electric utilities industry have been published. Each contains, in addition to summaries of individual plans, an analysis of the type, scope and coverage, the major provisions governing eligibility, qualification for benefits, kinds of benefits, financing and administration of plans in the industry.

The Division of Research and Statistics and the Bureau of Old-Age and Survivors Insurance are planning a Nation-wide sample survey of private pension and other employee-benefit plans to secure data for the first time which would be representative of the entire country and of employers of all size groups. A pilot project is planned for 1953.

United States Securities and Exchange Commission

The approximately 3,000 companies subject to the registration and reporting requirements of the several securities acts administered by the Commission file information with the SEC on their pension plans, disclosing the material features of any such plan, the number and class of persons entitled to participate therein, the annual cost for past and future services stated separately as to officers and directors and as to employees, and the estimated amount that would be necessary to fund or otherwise provide for the past service cost of the plan.

The information on pension plans is contained in registration statements, in annual and other periodic reports, and in proxy statements filed with the SEC, the latter only if the company is subject to the Commission's proxy regulations and has submitted its pension plan to stockholders' vote. The dockets and files containing information on such plans, as well as all of the other information required to be reported to the SEC by the companies, are maintained on an individual company basis and are available for public inspection at the SEC and photocopies of information contained in such files may be purchased. If the company has securities listed and registered on a national securities exchange, the company's files under the Exchange Act may be inspected by the public at such exchange. These 3,000 companies undoubtedly account for the large majority of the total amounts involved in, and workers covered by, private pension plans. (The Commission does not maintain separate files or records of pension plans as such.)

University of Connecticut

Dean Laurence J. Ackerman and Prof. Walter C. McKain, Jr., have completed the field work and analysis on a study of pension plans, programs, and practices preparatory to retirement of 500 large corporations representing a Nation-wide sample of companies employing 2,500 or more persons during 1950. The information obtained on pensions includes coverage, date of establishment, financing, eligibility requirements, and retirement age, etc. The information is available separately concerning executives and other salaried and hourly workers. The first report on this study was published as an article in the Harvard Business Review, July-August 1952, entitled "Retirement Programs for Industrial Workers."

The current phase of this research includes a study of post-employment relations to ascertain company attitudes toward the retired employee.

Yale University, Department of Economics

Prof. Challis Hall has recently completed a research project on Effects of Taxation: Executive Compensation and Retirement Plans, in which he covers tax aspects and economic effects of retirement plans for executives in larger companies and their over-all effects on the national economy. (Published under the above title by the Graduate School of Business Administration, Harvard University, 1951.)

GOVERNMENT RETIREMENT SYSTEMS

Chamber of Commerce of the United States

There is now underway an investigation of the relationships between old-age and survivors insurance and old-age assistance, including possibilities of fusing both programs into one. A vote is currently being taken among the chamber's organization members on a policy declaration submitted to them by the board of directors which proposes to substitute for the present system of Federal grants for old-age assistance a single all-inclusive Federal old-age insurance system to be financed on a pay-as-you-go basis from employer, employee, and self-employment taxes. Expected date of completion: 1953.

Committee on Retirement Policy for Federal Personnel

The Committee was established by Public Law 555, approved July 16, 1952, and consists of the Secretaries of the Treasury and of Defense, the Chairman of the Board of Governors of the Federal Reserve System, the Director of the Budget, the Chairman of the Civil Service Commission, all ex officio, and a Chairman appointed by the President. This Committee is to make a comparative study of all retirement systems for Federal personnel. Its findings and recommendations are to cover the following areas:

(1) "The types and amounts of retirement and other related benefits provided to Federal personnel, including their role in the compensation system as a whole;

(2) "The necessity for special benefit provisions for selected employee groups, including overseas personnel and employees in hazardous occupations;

(3) "The relationships of these retirement systems to one another, to the Federal employees' compensation system, and to such general systems as old-age and survivors insurance; and

(4) "The current financial status of the several systems, the most desirable methods of cost determination and funding, the division of costs between the Government and the members of the systems, and the policies that should be followed in meeting the Government's portion of the cost of the various systems."

A report on these problem areas by the Committee to the Congress is due by the end of 1953.

Council of State Chambers of Commerce, Washington, D. C.

The council has concluded a study by a subcommittee of its social-security committee on Needed Changes in the Old-Age and Survivors Insurance Program. The report with recommendations by the subcommittee, under the chairmanship of Henry D. Allen, was published under the above title in September 1952. It points out the problem areas in the present old-age and survivors insurance program and outlines the changes proposed by the subcommittee. Individual subcommittee members have written topical background reports which are included in the published volume.

Rutgers University, Bureau of Government Research

The bureau, Prof. Bennett M. Rich, director, has published a study of pension legislation for public employees in New Jersey through 1950. The report summarizes the important features of this legislation. Current plans call for further studies in this area of research.

United States Congress, Joint Congressional Committee on Railroad Retirement Legislation

The joint committee established by Senate Concurrent Resolution 51 in 1951 under the chairmanship of Senator Douglas of Illinois, and composed of three members of the Senate Committee on Labor and Public Welfare and three members of the House Committee on Interstate and Foreign Commerce, has the task of making a complete investigation of the Railroad Retirement Act and such related problems as the committee selects. Specifically the study will cover: (1) the benefit and cost aspects of the present system; (2) existing relationships between the railroad-retirement and the old-age and survivors insurance system; (3) desirable changes in the benefits provided by the railroad-retirement system and the estimated cost thereof; (4) changes in the relationship of the two systems which are conceived to be in the interest of simplified administration, eliminating inequities between workers covered under either system, and strengthening the financial basis for benefits with due regard to both systems' finances. In addition, the report will deal with problems of the aging.

The findings will be available early in 1953.

United States Department of Commerce, Bureau of the Census

Information regarding the finances of employee-retirement systems administered by State governments and individual cities of over 25,000 is gathered and reported annually in census publications on State finances and city finances. Data are presented for each system as to receipts from employee contributions, Government contributions, and earnings on investments; payments for benefits, withdrawals, and other purposes; and the assets of these retirement systems.

United States Federal Security Agency, Social Security Administration, Bureau of Old-Age and Survivors Insurance

On the basis of operational statistics pertaining to claims filed and benefits paid under the program, the Bureau publishes, on a continuing basis, information on the composition of the beneficiary roll by type of benefit, sex and age, the number of individual beneficiaries and beneficiary families, and the percentage distribution of family benefit amounts by beneficiary family composition and by size of family benefit.

A special study in cooperation with the United States Civil Service Commission is in progress whereby a sample of about 4,000 civil-service employees service records will be coordinated with data from the old-age and survivors insurance records. Data will thus become available on the relationship between the two retirement programs covering the period 1937–51, such as number of employees with service under both programs and civil service only and the extent of their participation in both programs. Tentative date of completion: 1953.

Another coordination study is in progress for a sample of about 1,700 railroad-retirement workers and their corresponding wage record under old-age and survivors insurance during 1937–49. This study will show how many workers were employed under both programs and their length of service, insurance status under either or both programs, by age, amount of earnings, and other classifications. Tentative date of completion: early 1953.

Finally, the Bureau, in cooperation with the United States Bureau of the Census, is currently surveying a sample of approximately 18,000 State and local government employees to determine the extent to which such employees are now covered under a public (State or Federal) or locally supported retirement system. Tentative date of completion: 1953.

United States Federal Security Agency, Social Security Administration, Division of Research and Statistics

The Division prepares semi-annual estimates of the economic status of the aged population, and compiles monthly and annual data on beneficiaries and benefits under all public pension programs (old-age and survivors insurance, railroad retirement, civil service, State and local employees, veterans and, for benefits, workmen's compensation). The Division also carries out special studies and analyses of the income and other characteristics of aged persons and research relating to the over-all adequacy of existing and proposed social-security programs, etc.

United States Senate, Committee on Finance

The committee, or a subcommittee thereof, has been authorized pursuant to Senate Resolution 300, Eighty-first Congress, second session, "to make a full and complete study and investigation of social-security programs with a view toward ascertaining what further changes should be made in the laws of the United States relating to social security."

The study would include an analysis of the type of program most consistent with the needs of our people and with our economic system, including proposed programs of universal coverage and specific extensions of coverage to groups not now covered, alternative methods of financing, work possibilities for aged persons, the relationship between social security and private pension plans, and social-security programs in relation to disability and rehabilitation.

University of Wisconsin, Industrial Relations Center

The center has made a study of the State employees' retirement system undertaken at the instance of the public employees' unions and other organizations in the State which have provided the financing. Attention has been centered upon how former State, county, and municipal employees receiving small pensions from the Wisconsin State employees' retirement system are getting along and what pensions are likely to be received by such public employees in the State who are nearing retirement age. The study has been based on interviews with retired employees and examination of the records of the State employees' retirement system. It was directed by Prof. Robben W. Fleming, until recently director of the center. The study will be published in mimeographed form and presented to the State legislature by the public employees' unions.

Williamson, W. Rulon, Washington, D. C.

Under a John Simon Guggenheim Memorial Foundation fellowship, and with further sponsorship from the Wyatt Co., research is being undertaken toward a book on social budgeting and taxation. Expected date of publication: 1953.

OTHER PROGRAMS FOR INCOME MAINTENANCE

American Veterans Committee

A commission has been formed to study present public policy in regard to veterans' pensions and all other veterans' benefits and to recommend an orderly approach to the solution of these problems. Charles H. Slayman, Jr., AVC's director of research and legislation, is in charge of the project. Expected date of completion: late 1952.

Chicago Welfare Council (Welfare Council of Metropolitan Chicago)

The council, in its community project for the aged, prepared a study on the needs of 552 dependent old people known to major public and private family welfare agencies. The purpose was to discover the nature and origin of the need and how community services met or could help to meet them. The findings, of which a summary report is available, were instrumental in framing a proposed plan of community services for elderly people in metropolitan Chicago, a project sponsored by the Wieboldt Foundation and directed by Elizabeth Breckinridge. Several chapters bear on employment and retirement. The report has been published under the title "Community Services for Older People" (Wilcox & Follett Co., Chicago, Ill., 1952).

The council has also participated in several studies of policies and programs of local institutions for the aged (see Social Service Review, March 1950 and September 1951), and in May 1952 Miss Helen G. Laue, of the council staff, prepared a brief summary report entitled "Survey of the Field for Care of Aged."

Mooseheart Research Laboratory, Orange Park, Fla.

Dr. George E. Myers, a member of the research laboratory, which is supported by the Loyal Order of the Moose, has completed a survey of homes for the aged in Florida. He has assembled a list of homes available in the State, classified by type of control, and has described their distinctive features.

North Carolina State Board of Public Welfare

A study of the needs of persons 60 years of age and over and services rendered to them by the department of public welfare in Warren County, N. C., was prepared by Ruth Lindquist and Lora P. Wilkie as the first in a series of similar studies scheduled to be undertaken. In addition to providing facts on the current needs of persons surveyed, the findings shed light on their background and earlier years (Research Publication No. 1, North Carolina State Board of Public Welfare, Raleigh, 1950).

Pennsylvania State College, School of Agriculture

Prof. William G. Mather made a study of farmers receiving old-age assistance in Pennsylvania (published by the agricultural experiment station in 1950 as Bulletin 521), in which he analyzes the major causes for dependence upon public assistance among 198 former farmers.

Pomona College, Social Science Research Center

The center is working on a study of old-age assistance in California which is financed by a 2-year grant from the John and Laura Haynes Foundation of Los Angeles. This is a comprehensive study of the history, operations, and problems of old-age assistance in California. It is being conducted by Pomona College professors from the departments of economics, sociology, political science, and psychology. Besides utilizing documentary sources and the records of the California Department of Public Welfare, extensive use has been made of interviews by trained investigators with a scientifically selected sample of the old people in all California counties, plus extensive interviews with the people administering old-age assistance. The study is being directed by Prof. Floyd Bond, who is the chairman of the department of economics and director of the center. It was started in the summer of 1951, and a report is due by July 1953. The grant from the Haynes Foundation includes provisions for publication of the report.

United States Federal Security Agency, Social Security Administration, Bureau of Public Assistance

The Bureau collects information each month on the number of persons receiving public assistance and the total and per-case amount disbursed to them in each State; also, it collects current data on other aspects of the operation of the several public-assistance programs. Summary information, by State, is published monthly in the Social Security Bulletin.

The Bureau has in progress a study of relatives' responsibility for support of old-age assistance applicants and recipients. This study was begun in 1951 at the request of the House Committee on Ways and Means. The first part of the study summarizes State old-age assistance and general support legislation related to the responsibility of relatives for aged persons. A further part, still in the planning stage, relates to the actual extent and nature of support received by recipients of old-age assistance from their sons or daughters.

The Bureau obtains annually from State public-assistance agencies a report on the number of persons or families receiving old-age assistance or aid to dependent children also receiving old-age and survivors insurance benefits. In addition, this report provides information on the total assistance payments and total old-age and survivors insurance benefits paid to these cases. This information is published in the Social Security Bulletin. (See Social Security Bulletin, August 1952.)

A study of requirements, incomes, resources, and social characteristics of recipients of old-age assistance is being sponsored by the Bureau. The study will be conducted by State public-assistance agencies administering old-age assistance, and will cover a sample of persons receiving such assistance in a selected month early in 1953. Information collected during the study will include: (1) such personal characteristics as age, sex, race, living arrangements, place of residence, and physical and mental condition; (2) indexes of housing conditions, such as number of persons and number of rooms in home and presence or absence of certain conveniences, such as sanitary facilities, electric lights, telephone, etc.; and (3) economic data, such as ownership of property, amount of income, by type, contributions from children, degree of need and amount of the assistance payment.

A tabular release, with highlights of findings, will be published by the end of 1953.

Washington Public Opinion Laboratory, Seattle, Wash.

Following earlier public-opinion polls on old-age assistance undertaken in the summer of 1948 and the spring of 1950, a third poll on the same issue was taken in the fall of 1950. The published report thereon analyzes changes of opinion over the 2-year period of heated discussion on the State's old-age assistance program.

EMPLOYMENT AND RETIREMENT

Alleghany County Public Welfare Committee, Alleghany, N. Y.

The committee has completed a study of the employment of older workers in rural areas.

Columbia University, Graduate School of Business

Conservation of Human Resources, a project established in the fall of 1949 under the directorship of Prof. Eli Ginzberg, has been conceived as a 5-year study of the waste of human resources in selected areas of our civil and military life. Among the wastes in our industrial society singled out for study are enforced retirement of individuals still capable of effective work and the under-utilization of the handicapped. The ultimate aim of the study is "to uncover the more important causes of such startling wastage of our human resources, and to identify the means whereby such wastage can be at least reduced, and possibly eliminated." In particular, an attempt will be made at reconstructing in detail the ways of work and the conditions of workers in America in 1890, and to compare them with the situation prevailing today so as to identify the major changes in attitudes toward work and the causes of the changes. Completion and publication of this particular study is scheduled for 1952. Further progress reports and monographs are promised in succession.

Columbia University, Teachers College

Dr. Jacob Tuckman, of the Institute of Adult Education, and Prof. Irving Lorge, of the Institute of Psychological Research, have made two surveys, one of industry and one of labor, to determine current practices in regard to retirement, especially psychological preparation for retirement. The industry survey was based on a sample of the 113 largest corporations in the United States. Of special interest among the findings of this survey is the widespread realization of the need for, and the actual operation of, pre-retirement programs. (Findings published in Journal of Gerontology, January 1952.) The labor survey was based on a sample of the 106 largest labor unions in the United States. The findings indicate that apart from the area of financial security, labor unions had until recently done little to prepare their members for the problems they may have to face in their later years and upon retirement.

A major undertaking during the past year was a study of attitudes toward retirement of a sample of 660 International Ladies' Garment Workers' Union members about equally divided into those age 55 and over who are now working, those 65 and over now working but who have applied for retirement, and those 65 and over already retired on a union pension. The purpose of this study was to learn more about attitudes toward retirement, the awareness of and reaction to physical change with age, the effect of such changes on the individual's self-concept, and the effect of retirement on the wife and other members of the family. The study was done in cooperation with the New York regional office of the Federal Security Agency and the International Ladies' Garment Workers' Union. The report, The Industrial Worker in Retirement: Prospect and Reality, will be published by the Bureau of Publications, Teachers College, late in 1952 or early in 1953.

Connecticut Governor's Committee on Full Employment

Under the chairmanship of Dean L. J. Ackerman of the School of Business, University of Connecticut, and with Prof. F. B. Hall of the Connecticut College for Women as director of research, the committee has made a study of the older workers in Connecticut industry as a part of its survey and analysis of the State's labor market.

Cornell University, Department of Sociology and Anthropology

The department has embarked on a long-range project to test the impact of occupational retirement in the United States on physical and mental morbidity and on mortality. The study, which is directed by Prof. M. L. Barron, will aim at testing the hypotheses that chronological, arbitrary, involuntary, and unplanned retirement is conducive to high morbidity among older persons and accelerates their senility and mortality and that, by way of contrast, those population groups which, as a rule, are not abruptly "retired" show less physical morbidity and retirement neuroses in comparable physical age groups and live longer. In order to perform this test, the samples chosen are to exclude as much as possible differences extraneous to the ones to be tested such as family and economic status, living arrangements, parental longevity, health, etc. Comparisons will be made between nonretiring and retiring persons and between various sets of persons retiring under different conditions and in different ways.

The plan of study calls for a 7-year study period. The first year has been devoted to two pilot investigations with small local samples for the purpose of focusing the problems and formulating the questions. These pilot studies have served as starting points for three other projects: (1) a Nation-wide urban survey; (2) a rural survey in six counties of New York State; (3) based on these two, a series of long-term "in plant" studies of retirement. During the next 6 years, a national sample of persons close to age 65, but in different work or retirement situations will be observed in regard to their morbidity and mortality and followed up through personal interviews with them, their families, associates, doctors, etc. A brief summary report on the findings of the pilot studies was published in Public Health Reports, February 1952. Annual progress reports will be rendered on the project.

Harvard University, Graduate School of Business Administration

Prof. Harold R. Hall has recently completed a study, based primarily on information obtained through field interviews in connection with the retirement of business executives, of problems facing the management of businesses as well as facing individual executives who are contemplating retirement. Views and data were obtained from retired executives and from executives presently employed. The findings will be published by the Harvard Business School in January 1953, under the title "Some Observations on Executive Retirement."

Hewitt, Edwin Shields & Associates, Chicago, Ill.

The firm has published the results of its survey of company practices regarding older workers and retirement. Covering 657 companies by means of a questionnaire, it solicited information on reassignment of older workers, performance test preceding retirement, preparation for retirement, post-retirement contacts, nature of retirement, related benefit plans in operation, and post-retirement rehiring practices. Of particular interest are the findings on the large percentage of workers who continue to work despite their eligibility for maximum pensions.

Indianapolis Council of Social Agencies, Indianapolis, Ind.

The council's committee on aging is planning to follow up an earlier survey of attitudes toward older workers on the part of personnel directors of some of the city's business firms.

John Carroll University, Cleveland, Ohio

Prof. Arthur J. Noetzel, Jr., has been engaged in local surveys of the utilization of, and retirement programs for, older workers, especially in smaller industrial companies. Preliminary findings have been published; a more comprehensive analysis is due to be completed in 1952.

Louisville Health and Welfare Council, Louisville, Ky.

Richard H. Uhlig of the council and Dorothy Brownfield have published a summary of research on employment and retirement of a group of older males, American Sociological Review, February 1952.

New York House and School of Industry

This private nonprofit agency, a subsidiary of Greenwich House, has started an experiment in vocational retraining in typing and stenographic skills of older women who have long been out of the labor market. The participants are referred by the State or other employment services and after intensive training are returned to the source of referral for placement. In connection with this project a study of methods of training and counseling is being conducted. The experiment is expected to yield knowledge relating to speed of learning, techniques of motivating older persons, practicability of training older women for employment, extent to which residue of skill remains, etc.

New York University, Department of Education

Prof. Alonzo F. Myers, chairman of the department, is planning a long-term study on preparation for the years after retirement.

Ohio State University, Department of Psychology

Under the direction of Prof. S. L. Pressey, and with the support of the university's development fund, Miss Jeanette E. Stanton made a study of the opportunities for part-time employment of the older worker which was published in the Journal of Applied Psychology for December 1951. The study is based on an analysis of the characteristics and job tenure of some 3,000 "on call" workers of a large midwestern department store.

Princeton University, Industrial Relations Section

A study has been completed of current employer practices in connection with the retirement of aged workers including preparation for retirement, administration of fixed and flexible retirement provisions, and post-retirement counseling under industrial retirement and pension plans.

Syracuse Council of Social Agencies, Syracuse, N. Y.

The economic security and research committees of the Council of the Aging, the Manufacturers' Association of Syracuse, and the Syracuse Chamber of Commerce have recently issued a survey of the employment status of older workers. The findings, based on the reports of 77 employers, shed light on current personnel policies with regard to employment and retirement of older workers.

Temple University, School of Business and Public Administration

The bureau of economic and business research, John F. Adams, director, and the Department of Labor and Industry, Commonwealth of Pennsylvania, have served as cosponsors of a recent conference on The Problem of Making a Living While Growing Old (proceedings published by Temple University, September 1952).

At present the bureau is undertaking a detailed study of company and union attitudes, and policies and performance relating to the employment of older workers in Pennsylvania. This study will focus on current obstacles to employment and the possibilities of overcoming them.

Tentative date of completion, 1953.

United States Civil Service Commission, Federal Personnel Council

The council has established a work group which is studying the problems of the older worker in the Federal service. This group is: (1) to make recommendations to departments and agencies on handling problems of the older workers; (2) to present to the council information on changes in industry practices being made to adjust to the growth in the working population of older people; (3) to make recommendations to the CSC on needed changes in laws and regulations.

United States Department of Defense, Department of the Air Force

The Civilian Personnel Division of the Wright Air Development Center, Wright Patterson Air Force Base, Ohio, has been engaged in research on the attitude toward, and problems of, retirement among its civilian employees. A survey was made of employees with 25 or more years of service and of retired employees. Analysis of returns on this and preceding research projects in this area has led to policy recommendations to the Chief of Staff, United States Air Force, entitled "Utilization of the Older Worker and Pre-retirement Preparation."

United States Department of Defense, Department of the Navy

The Bureau of Naval Personnel's Research Division has been studying the problems of older workers and their opportunities for continuing work in a different occupation after official retirement. A survey of recently retired naval officer personnel, The Retired Officer—His Economic Adjustments, has yielded recommendations for pre-retirement counseling and other services to superannuated personnel.

United States Department of Labor, Bureau of Employment Security

The Bureau has made an experimental study of the effectiveness of special efforts by public employment offices in placing older workers in jobs. The experiment was conducted in five major cities in different parts of the country. The findings were recently published under the title "Workers Are Young Longer * * *" (U. S. Department of Labor) and summarized in the Employment Security Review for October 1952.

United States Department of Labor, Bureau of Labor Statistics

The Bureau is concerned with studying and interpreting the economic and employment problems which result from the fact that the life span and proportion of older age groups in our population have increased. While the Bureau is not currently undertaking specific research projects relating to the economic and employment status of older age groups, it exploits the opportunities for obtaining significant data which are available through its regular research program.

Recent and current studies which have a bearing on the pension problem include:

1. Tables of Working Life—Length of Working Life for Men.—In August 1950, the Bureau published Tables of Working Life which attempt to measure the growing gap between the span of total life and working life for men in the United States. The Bureau also has plans for the development of work-life tables for women.

2. Analyses of Population and Labor Force Data.—The Bureau's Division of manpower and Employment Statistics prepares analyses of population and labor force trends and characteristics designed to reveal the special employment problems of older workers. Comprehensive studies of manpower resources to meet the needs of the mobilization program have included analyses of the additions to the labor force which may be expected from the older-age groups of men and women.

United States Department of Labor, Women's Bureau

The Bureau takes a strong interest in the employment and retirement problems of older women. Preparation of a document entitled "Older Women: Some Aspects of Their Employment Problems" is now in process. Two pamphlets published by the Bureau are available for distribution: One, entitled "Over Forty and Looking for a Job?" contains a number of suggestions for older women who are looking for work; the other, entitled "Hiring Older Women," embodies suggestions to employers contemplating hiring older women. A research project now in process will describe programs involving training older women for employment in specific occupations.

University of California Law School

Prof. Frank Newman has made a study of laws affecting flexibility in the retirement of aging workers including civil service laws and regulations.

University of Chicago, Center on Industrial Relations

Under the auspices of the center there is being conducted a project entitled "A Retirement Research Program" which deals with problems related to the change of activities upon retirement with particular emphasis on changes in living arrangements. The study will attempt to find out what are the differences in the personal characteristics and motivations of persons who upon retirement remain in the residence of their middle years and those who change residences, with particular attention to those who decide to migrate to more favorable climatic environments. Different types of community life will be studied in Florida, including trailer parks, congregate living, sponsored village communities, and large city living. Arrangements are being made for cooperation with the Florida State Improvement Commission, the Institute of Gerontology of the University of Florida, and the Moosehaven Research Laboratory.

University of Chicago, Committee on Human Development

The committee, under the direction of Prof. Robert J. Havighurst, has completed a series of investigations relating to retirement and the meaning of work. These studies are designed to test a view of retirement as a process of adjustment to a new life situation and the leaving of an old familiar one—the job.

Groups studied include professions and skilled, semiskilled, and unskilled workers in different industries. An attempt is made to relate skill and occupational level of work to attitudes toward retirement.

A survey of employment programs for older workers, conducted by Elizabeth Breckinridge, also has been completed. Those companies that have special programs aimed at using older workers to the best advantage and preparing them for retirement were studied through personal interview.

The committee, with the help of a grant from the United States Public Health Service, has developed a course on Making the Most of Maturity. The purposes of the course are to prepare people for the later years; to test educational methods suited for later life; and to determine life patterns in later middle age as they related to the aging process. Prof. Mary Hollis Little is in charge. This course is now being offered by the university's home study department. The text for the course, entitled "Good Living After 50" is available for general reading.

The committee has just commenced a study of middle age and aging in Kansas City, Mo. Subjects in this study will consist of a sampling of people aged 40 to 80. This study is expected to yield information, among other things, on preparation for retirement and conditions of retirement.

The committee is cooperating with the industrial relations center in programs concerned with materials for the use of individuals and companies in programs concerned with preparation for retirement.

University of Connecticut, Department of Rural Sociology

Under the direction of Prof. Walter C. McKain, Jr., there is being completed a series of community analyses of the nature of work and retirement, the economic and social adjustments as revealed by living arrangements, income, associations and activities, and the health of retired and other older persons. The results will be printed from time to time as agricultural experiment station bulletins. The findings of the first survey have already appeared.

University of Maryland, Department of Sociology

Prof. John F. Schmidt has completed a research study on patterns of poor adjustment in old age based on a comparative analysis of samples of aged persons living in different cities of the Midwest. (Prelim. summary in Amer. Jour. of Sociology, July 1952.)

University of Michigan, Institute of Social Research

Prof. Rensis Likert has been commissioned by the National Security Resources Board to undertake a pilot study on Management's Manpower Practices and Attitudes Toward Manpower Problems. This preliminary investigation based on a small sample of enterprises, is to analyze the manpower situation in a defense mobilization period, especially as it affects special groups such as older workers, the handicapped, women, minorities, etc.

Tentative date of completion: 1952.

University of Minnesota, Industrial Relations Center

Under the guidance of Dale Yoder, director, and Herbert G. Henoman, Jr., assistant director, the center has conducted several local studies of management, union, and worker attitudes and practices pertaining to employment and retirement of aged workers. The center has also produced an annotated bibliography on Employment Problems of Older Workers (mimeographed) as well as a number of papers written by members of the staff on various aspects of the problem of utilization of older workers.

The current work of the center includes an exploratory study commissioned by the Office of Naval Research on the reserve manpower in older age groups with special emphasis on scientific, professional, and technical personnel.

University of Oregon, Department of Sociology

Prof. Elon H. Moore has completed an investigation of the provisions made by numerous companies in the Mideast, on the east coast, and in parts of the South relative to their older workers. The study is concerned primarily with the personnel services offered to older workers and retired employees. The material assembled will result in a guide for company retirement preparation programs. The results of an earlier study, Professors in Retirement, was published in the Journal of Gerontology, July 1951.

W. E. Upjohn Institute for Community Research, Kalamazoo, Mich.

The institute has recently published a booklet entitled "Employment of the Older Worker" which contains two papers on this subject by C. Tibbitts and A. J. Noetzel, Jr., as well as a selected bibliography by Charles C. Gibbons on employment of the older worker.

PHYSIOLOGICAL AND PSYCHOLOGICAL RESEARCH

We have included here only studies which seem to have a direct bearing on the pension problems. Purely medical research has not been considered.

Alabama Polytechnic Institute, Auburn, Ala.

Dr. Ruth Albrecht, of the department of home economics, has been engaged in research on the social roles in their relation to personal adjustment of aged people. Two reports on her research, The Social Roles of Old People, and Social Roles in the Prevention of Senility, appeared in the Journal of Gerontology for April and October 1951, respectively.

Columbia University, Teachers College

Dr. Jacob Tuckman, of the Institute of Adult Education, and Prof. Irving Lorge, of the Institute of Psychological Research, have completed a series of studies dealing with attitudes of the aged and toward the aged, their psychology and bodily condition. The groups studied differed in age, education, and socioeconomic status. Studies completed include:

1. Attitudes Toward Older People, Journal of Social Psychology (in press).
2. Attitudes Toward Older Workers, Journal of Applied Psychology, June 1952.
3. The Effect of Institutionalization on Attitudes Toward Old People, Journal of Social and Abnormal Psychology, April 1952.
4. The Attitudes of the Aged Toward the Older Worker: Institutional and Non-Institutional Adults, Journal of the Gerontology, October 1952.
5. The Effect of Family Environment Toward Old People and the Older Worker, Journal of Social Psychology (in press).
6. The Influence of a Course in the Psychology of the Adult on Attitudes Toward Old People and Older Workers, Journal of Educational Psychology (in press).
7. Experts' Biases About the Older Worker, Science, June 1952.
8. The Influence of Changed Directions on Stereotypes About Age: Before and After Instruction, Educational and Psychological Measurement (in press).
9. The Best Years of Life: A Study in Ranking, the Journal of Psychology, 1952.
10. The Value of the Cornell Medical Index and Supplementary Health Questionnaire for Appraisal of Physical and Mental Health of the Elderly (in collaboration with R. W. Steinhardt and F. D. Zenom), Journal of the American Medical Association (in press).
11. A Comparison of the Semantic and Psychological Complaints of Institutionalized and Non-Institutionalized Older People (in collaboration with R. W. Steinhardt and F. D. Zenom), Geriatrics (in press).

Harvard University, School of Public Health

Prof. Ross A. McFarland has recently completed a book entitled "Human Factors in Air Transportation," published by McGraw-Hill, which includes a chapter on Aging and Efficiency in Airmen, based on many years of extensive research on the physiology of flying.

Iowa State College, Department of Psychology

Prof. W. A. Owens, head, department of psychology, has conducted a longitudinal study of the effects of age upon mental abilities. Subjects were 127 males who took Army Alpha Tests as freshmen at Iowa State College in 1919, and who were retested and requested to fill out a personal information sheet in 1950. Results relate to: (1) effects of the age increment upon performance level in the eight subtest functions; (2) effects upon the magnitudes of individual and trait differences; and (3) personal-social correlates of the observed intellectual changes.

Josiah Macy, Jr., Foundation, New York

Over the past 21 years, the foundation has sponsored surveys of physiological and mental health, as well as medical and other aspects of aging and multiprofessional analyses of the aging process. In large part, these studies have been published in annual conference volumes by the foundation. The foundation has extended support to research carried on in the above fields and, at present, is supporting two projects in the fields of biology and physiology carried out jointly by the College of Physicians and Surgeons, Columbia University, and the Albert and Mary Lasker Foundation.

Mooschaven Research Laboratory, Orange Park, Fla.

Dr. R. W. Kleemeier, director of the research laboratory, has published a study of the effect of a work program on adjustment attitudes in an aged population. The study is based on the voluntary work program carried on in the organization's fraternal home (Journal of Gerontology, October 1951).

Mr. Robert M. Arms, another staff member, is currently undertaking a job analysis of some 40 paid jobs held by aged residents who participate in the voluntary part-time work program.

A number of other research projects have been undertaken to test the physiological and psychological capacity of old people. These include experimental studies of visual and auditory performance, strength of hand-grasp, and changes in memory and intelligence. This research is supported by the Loyal Order of the Moose. A study by Dr. Walter D. Obrist of age influences on reaction time will be published shortly in the Journal of Psychology.

Ohio State University, Department of Psychology

Prof. Albert R. Chandler is studying mental resources for retirement by means of two questionnaires, one for retired and one for nonretired persons. He is also conducting a study on personal traits of older persons and changes therein as observed in 635 subjects aged 50 and over.

Prof. Sidney L. Pressey has been engaged in a number of case studies on the relation of age to employment and the employment potentialities of older people. One of these studies, done jointly with C. B. Cover, dealt with Age and Route Sale Efficiency and was published in the Journal of Applied Psychology, August 1950.

Under Professor Pressey's direction, M. W. Smith has made a study of Evidences of Potentialities of Older Workers in a Manufacturing Company (Personnel Psychology, spring 1952), in which he analyzed the hiring and retention practices of a manufacturing company and the reasons for leaving or lay-off among older as compared with younger workers.

There is also underway a study directed by Dr. Pressey regarding outstanding people and their accomplishments. This project, under subvention of the United States Public Health Service, is scheduled for completion in 1954. An earlier paper comparing successful and unsuccessful cases of adjustment to old age and offering evidence of the importance of financial security in old age was published in the Journal of Gerontology, April 1950.

Ohio University, Athens, Ohio

Prof. Harvey C. Lehman has studied over a number of years the ages: (1) at which outstanding thinkers have most frequently made (or first published) their momentous creative contributions; (2) at which leaders have most often attained important positions of leadership; (3) at which high-salaried workers in several areas have most commonly received large annual incomes; and (4) professional athletes attain their highest level of proficiency.

His latest completed study entitled "Some Examples of Creative Achievement During Later Maturity and Old Age" in the Journal of Social Psychology, 1949.

Pennsylvania State College, School of Agriculture

The agricultural experiment station attached to the college published in 1950 a study by Prof. William G. Mather and Mr. A'Delbert P. Samson on Personal and Social Adjustment of 49 Retired Rural Men (Progress Report No. 19). This study was followed by a master's thesis on the Personal and Social Adjustment of 50 Older Rural Women, by Ruth Clark Cook (1951, unpublished).

San Diego State College, Department of Psychology

Prof. Oscar J. Kaplan is carrying on research on the role of age in accidents, suicide, crime, employment, hospitalization, and mental breakdown.

Sweet Briar College, Sweet Briar, Va.

Prof. Belle B. Beard has been engaged in case studies of centenarians living in the United States. Through questionnaires and follow-up contacts she has attempted to establish in about 200 cases what characteristics and patterns of social adjustment might have predisposed them for survival. Comparative studies with other old-age groups in the United States and with centenarians of other lands may follow.

United States Public Health Service, National Heart Institute

The Institute's section on gerontology, which is headed by Dr. Nathan W. Shock, is engaged in long-term research into the physiological, biochemical, and psychological aspects of aging. The aim is to isolate the bodily and mental factors that make up "age." Completed projects have been reported in the Journal of Gerontology and other places.

United States Public Health Service, National Institute of Mental Health

As a result of a recent canvass, extending over several months, by one of its staff members, of approximately 20 centers of activity in gerontological research, the institute is preparing a report on the status of research and research needs on the psychological problems of our aging population, as well as a selected bibliography in this area of investigation.

Tentative date of publication: Early 1953.

University of Florida

Current research bearing on the psycho-physical problems of aging includes a study conducted by Dr. Ouida Abbott on the causes, prevention, and alleviation of physical and mental conditions associated with senility.

University of Minnesota

Prof. Josef Brozek is studying psychological factors in the development of heart disease and the influence of age on personality in two samples of 150 males each, one group of college age, the other age 45 to 55. A partial report was published in the Journal of Gerontology, July 1952.

Western Reserve University

Prof. Carolyn K. Grossman and associates are studying personality characteristics and adjustment among men and women inmates of an old-age home in Cleveland, Ohio.

DISABILITY AND MORTALITY

American Legion

Through its National Rehabilitation Commission, T. O. Kraabel, director, the Legion takes a continuing interest in the multiple problems of disabled veterans and their dependents. At the present time, this commission in cooperation with the Legion's field service division and the United States Veterans' Administration is carrying on a State by State study of the veteran population (listing separately those of World Wars I and II), hospital and medical facilities available to veterans and services consumed by them. Thirty-eight State reports have been completed.

Commission on Chronic Illness, Baltimore, Md.

The commission, created through the cooperative efforts of the American Hospital Association, the American Medical Association, the American Public Health Association, and the American Public Welfare Association, has made plans for two surveys on chronic disease and disability, one based on a rural and one on urban population. The surveys are designed to ascertain the prevalence of illness and disability, both manifest and nonmanifest, the degree of awareness thereof by those affected, and the needs for facilities and services. Four thousand households residing in the communities chosen will be interviewed. A sample of those professing to be ill will be further interviewed and examined by a medico-nurse-social team. Another sample, of those professing not to be chronically ill or disabled will be given a series of screening tests with follow-up clinical examination where indicated. The prevalence of chronic illness and disability among the sample groups chosen will be established and their needs for medical, hospital, and related care and facilities will be estimated. In substance, this plan was adopted by the Hunterdon Medical Center, New Jersey, as the basis for the rural survey which is now being undertaken under the supervision of Dr. Ray Trussell. Its urban counterpart is being started this year in Baltimore under the direct supervision of the Commission on Chronic Illness, Dr. Dean Roberts, director. The Commonwealth Fund has made a grant to the Hunterdon project, and the United States Public Health Service has made grants to assist in planning both studies and to conduct the Baltimore study. Plans call for a 2-year study but presumably preliminary findings will become available prior to completion of the whole project. Although not confined to the aged, the findings are expected to yield information on the nature and extent of work-disabling conditions in the upper-age groups, their requirements for care, as well as the social consequences arising therefrom.

Haverford College, Department of Political Science

Prof. Herman M. Somers has completed a study, as yet unpublished, on the challenge of occupational disability. It contains a detailed analysis of the insurance phase of workmen's compensation and discusses the problems of prevention and rehabilitation.

Health Insurance Plan of Greater New York

In addition to its year-to-year analyses of operational experience under the plan which have in the past included inquiries into the problem of whether or not the aged constitute an insurable risk for prepaid medical care, the department of research and statistics is now engaged in a special analysis of 4 years of the plan's experience. This project will also take into account the age factor. The findings are expected to be presented in a series of special studies featuring analyses by age as well as other characteristics.

Home for Aged and Infirm Hebrews, New York City

Dr. Leo Dobrin of the medical staff of this institution has related his experiment with rehabilitating a group of 67 men and women averaging over 76 years of age who are residents in the home in an article, Rehabilitation in Institutional Geriatrics: A Preliminary Report, New York State Journal of Medicine, January 1952.

Metropolitan Life Insurance Co., New York City

Edward A. Lew, associate actuary, and Wilmer A. Jenkins, administrative vice president of the Teachers Insurance and Annuity Association, published a comprehensive paper on A New Mortality Basis for Annuities in the Transactions of the Society of Actuaries (vol. 1, November 1949). (Recently the Society of Actuaries also published a volume containing mortality tables and annuity values derived from that paper.)

Louis J. Dublin, second vice president, and Mortimer Spiegelman, statistician, have published a paper on the Health Progress Among Industrial Policyholders 1946 to 1950 in the Transactions of the Society of Actuaries (vol. 3, September 1951), which is the latest of three studies of the mortality experience of urban wage-earning families as reflected in 40 years continuous accounting on industrial policyholders of the company.

New York Life Insurance Co., New York City

Walter G. Bowerman, assistant actuary, has published a study on annuity mortality containing some up-to-date information on mortality, especially at the older ages, and a tabulation and discussion of increasing differential mortality between men and women. Earlier studies deal with specific aspects of mortality and longevity, including a pioneer study on Centenarians published in the Transactions of the Actuarial Society of America, volume 40, part 2, 1939.

United States Federal Security Agency

A survey has been undertaken of persons found to be disabled for 7 months or more in two previous disability studies. The two earlier studies were conducted in February 1949 and September 1950 as supplements to the Current Population Survey done on a sample basis each month by the United States Bureau of the Census. Like the preceding surveys, the follow-up study is sponsored jointly by the Bureau of Old-Age and Survivors Insurance, the Office of Vocational Rehabilitation, and the United States Public Health Service with the cooperation of the Bureau of the Census. The information obtained from this group of relatively long-term disabled persons who were recontacted was obtained primarily to ascertain how many of them have recovered since they were reported as disabled, how many have died, and how many are still reported as disabled; additional information concerning acquaintance with and resort to rehabilitation services, and family and economic status was also obtained.

Tentative date of publication: 1953.

United States Federal Security Agency, Public Health Service

The National Office of Vital Statistics prepares life tables at 5-year age intervals, by race and sex, for the United States annually. More detailed life tables are prepared decennially. NOVS also codes, tabulates, and publishes annually by age, race, and sex the underlying cause of death reported by the physician on the death certificate. Among the studies planned around the additional population characteristics made available through the 1950 census of population is an analysis of deaths in 1950 of men at ages 20–64 according to their usual occupation and industry.

The Division of Public Health Methods, Office of the Surgeon General, is conducting studies, based on the Hagerstown, Maryland, population surveys, of the relationship between the health condition and the social and economic status of older people, their suitability for employment, and the medical history of persons utilizing free medical-care facilities.

The Division of Public Health Methods is also planning a trial survey of illness and availability for work of persons 45 years of age or older not now in the labor force. The chief objective is to develop a suitable schedule for possible use in more extensive studies in this area.

United States Federal Security Agency, Social Security Administration, Division of Research and Statistics

As a supplement to the Current Population Survey conducted by the Census Bureau in March 1952, a survey was made of the extent of hospitalization and the ownership of hospitalization insurance among a sample of persons aged 65 and over. A preliminary summary of the findings has been published in the Social Security Bulletin, November 1952.

STATE COMMISSIONS AND COMMITTEES ON AGING

Several States have established agencies to study the problems of the aged, coordinate measures on their behalf, make recommendations to the State legislature or executive, etc. With some of these agencies research is merely an incidental function. Wherever research projects of interest were reported to us, we have listed them under the appropriate section in the foregoing pages. In addition, it was thought that a list of these agencies, whether or not engaged currently in research, might be useful. This list follows with the name and address of the executive secretaries or other persons from whom further information on activities may be obtained.

California Interdepartmental Coordinating Committee on the Problems of the Aging

The committee was established by the Governor in 1952 and is composed of the directors of the interested State departments under the chairmanship of C. I. Schottland, director of social welfare.

While the committee is not itself engaging in research, it acts as a clearinghouse for information and activities in the field; it coordinates all State programs which have a bearing upon the problems of the aging; it encourages and assists the communities of the State to develop programs to meet the needs of their senior citizens; and finally, aims to make available to these communities the pertinent resources and services of the State government.

Louis Kuplan, executive secretary, 616 K Street, Sacramento, Calif.

Connecticut Commission on the Care and Retirement of the Chronically Ill, Aged and Infirm

Establishment of the commission was authorized by statute in 1947. Its members, including the State commissioners of health and welfare, ex officio, are appointed by the Governor. Its present chairman is Dr. John C. Leonard.

Aside from its responsibilities for the operation of hospital, rehabilitation and chronic disease prevention programs, the commission is developing housing facilities for indigent and infirm aged. The commission has authority to make program and legislative recommendations to the Governor and State assembly.

Rocky Hill, Conn.

Florida State Improvement Commission

The commission was set up by the Governor in 1950 and is chaired by him. The secretary-director is Walter E. Keys. The commission is charged with the study and planning in matters pertaining to the retired aged and is to assist and coordinate the work of State, local, and private agencies in this field. A citizens committee on retirement in Florida appointed by the Governor serves in an advisory capacity to the commission.

Dr. Irving L. Webber, supervisor of the commission's research division, post office box 930, Tallahassee, Fla.

Illinois Committee on the Aging

Established by the Governor in 1950, the committee, under the chairmanship of William Rutherford and with State public welfare agencies' representatives among its members, is charged with the prevention of dependency in old age, determination of the needs of older people, of ways to meet these needs, and the coordination of State and voluntary agencies' services to them.

Elizabeth Breckinridge, executive secretary, 160 North La Salle Street, Chicago.

Massachusetts Recess Commission on Revision of Public Welfare Laws, Subcommittee on Problems of the Aging

The subcommittee was created in 1951 by the commission (itself established by statute in 1947), is chaired by State Representative Irene K. Thresher, and has a secretary and professional consultants. The commission is directed to review and recommend to the legislature necessary changes in welfare legislation.

State House, Boston, Mass.

Michigan Commission to Study Problems of Aging

Established by the Governor, the commission includes experts and representative citizens under the chairmanship of Prof. Marguerite Patton, Western Michigan College of Education, Kalamazoo, Mich. The commission is to study the problems and needs of middle-aged and older persons and to recommend programs and legislation to meet their needs. It functions through several committees and is assisted by a State interdepartmental committee on problems of the aged, chaired by Frank Blackford, aide to the Governor.

Minnesota Commission on Aging

Authorized by statute in 1951, the commission is to submit to the Governor (for the 1953 regular session of the legislature) a report of findings and recommendations on the problems and needs of persons 45 and over. Its membership consists of State legislators and civic leaders appointed by the Governor. It operates through several committees.

Jerome Kaplan, secretary, 134 Court House, Minneapolis, Minn.

New Jersey Welfare Council, Committee on the Aged

Chairman Marguerite Galloway, Bureau of Public Assistance, Department of Institutions and Agencies, Trenton, New Jersey.

New York Joint Legislative Committee on Problems of the Aging

Established in 1947 as a standing committee by the State legislature, the committee is charged with studying the problems of the aging. Half the members represent the Senate, the other half the Assembly; also, there are ex officio members and advisors. Senator Thomas S. Desmond is chairman. There are several advisory committees.

Albert J. Abrams, director, 94 Broadway, Newburgh, N. Y.

North Carolina Special Committee on Aging

The committee was established by the Governor in 1951, on the basis of an earlier authorization by the General Assembly, with Edwin Brower as chairman. Through various subcommittees the committee has considered the recommendations of the Governor's 1951 Conference on Aging and is to submit recommendations with regard to their attainment.

Annie May Pemberton, supervisor, Services to the Aged, State Board of Public Welfare, Raleigh, N. C., secretary to the committee.

Pennsylvania Joint State Government Commission of the General Assembly

Established by statute in 1951, the commission is to make a thorough study of the needs and problems of the aged in the State and in cooperation with other public and private groups devise ways of meeting their needs and report to the assembly early in 1953. Representative Baker Royer is chairman of the commission; half of its members are senators, the other half representatives.

Dr. Paul H. Wueller, associate director of research and statistics, Capitol Building, Harrisburg, Pa.

Rhode Island Governor's Commission to Study Problems of the Aged

The commission, established by statute in 1951, is charged with studying all phases of the problems of older people and with recommending a State program to improve their welfare. Its members, appointed by the Governor, are under the chairmanship of Judge John P. Cooney.

Harold H. Lund, technical director, 24 Mason Street, Providence, R. I.

Washington Council for the Aging Population

The council, established by the Governor in 1952, is composed of representatives designated by economic, professional, and civic organizations in the State. It works with the interested State departments.

Norman Schutt, assistant director, department of labor and industries, is executive secretary of the council, Olympia, Wash.

West Virginia Governor's Committee on Aging

Established by the Governor in 1951, the committee, which is a small professional group, is to explore the measures in behalf of the aging taken in other States and by private business organizations, and to report its findings to the Governor.

Prof. J. T. Richardson, department of sociology, Marshall College, Huntington, W. Va., is chairman of the committee.

Wisconsin Legislative Council, Committee on Problems of the Aged

Pursuant to statutory authorization in 1951, the council, itself a statutory body, established the committee which includes members and nonmembers of the council under the chairmanship of Senator Foster B. Porter. The committee's assignment was to study welfare measures for the aged and the costs thereof with a view to making recommendations thereon. The committee has rendered a report to the council, which, in turn, may be expected to make recommendations to the legislature in 1953.

Leo T. Bobel, director of research, State Capitol, Madison, Wis.