

# Notes and Brief Reports

## Income-Maintenance Programs for the Aged, United States and Great Britain

Estimates of future social security costs in the United States vary, depending upon assumptions made with respect to birth and death rates and economic conditions. One feature all estimates share is the large increase to be expected in the cost of income-maintenance programs for the aged.

This growing burden is a phenomenon common to all industrial countries, reflecting among other things the increase in the relative number of the aged in the population, the drop in employment among older workers as agriculture has become relatively less important in the economy, and the breakdown in traditional patterns of income maintenance in old age. The rate at which these changes are taking place differs from country to country. They seem to be more accelerated in the older industrial nations but are also evident in countries in which the shift from an agricultural to an industrial economy is of more recent origin.

It is illuminating in this connection to compare the relative size and current cost of public programs for income maintenance in old age in Great Britain and the United States.

### Proportion of Aged Population Receiving Payments

An outstanding difference between the two countries is the far greater proportion of aged persons now receiving payments from public programs in Great Britain.

In March 1950, the most recent month for which fairly complete data are available, 71 out of every 100 persons in Great Britain of pensionable age (women aged 60 and over, and men aged 65 and over) were receiving either pensions or assistance. The corresponding proportion in the continental United

States (men and women aged 65 and over) receiving old-age and survivors insurance benefits, benefits under the special systems for railroad and government workers, or old-age assistance was 42 percent in June 1950, before enactment of the 1950 Amendments to the Social Security Act, and 48 percent in December 1951 (table 1).

Another difference worth noting is the higher proportion of persons in Great Britain receiving payments made on a social insurance basis. In that country, 9 out of 10 recipients of pensions or assistance in March 1950 were receiving benefits based on employment. In the United States, social insurance beneficiaries comprised approximately half the combined total of beneficiaries and assistance recipients in June 1950. By December 1951, largely as a result of the amendments, the proportion had risen to 63 percent (table 1).

The purpose of public assistance may be said to be roughly the same in the two countries—to meet individual need as defined in law and regulation—but more frequently in Great Britain than in the United States this objective is expressed as a direct supplementation of the insurance benefit. In March 1950 half the aged assistance recipients in Great Britain were social insurance beneficiaries requiring supplementary allowances. In the United States, aged beneficiaries of old-age and survivors insurance receiving assistance supplementation comprised 10 percent of the old-age assistance load in September 1950 and 15 percent in February 1952. Data for selected intervals in 1948-50 in Great Britain and in 1948-52 in the United States indicate that the benefit-supplementation function of public assistance appears to be increasing in both countries, suggesting that whether the benefit is a flat amount, as in Great Britain, or a varying amount related to average earnings, it does not by itself meet all the needs of all beneficiaries, particularly in a period of rising prices.

Supplementation cases represented at least 13 percent of all insurance beneficiaries in Great Britain and 10 percent in the United States in both June 1950 and December 1951. This is an understatement of the extent of supplementation in Great

Table 1.—Aged persons who were receiving payments under social insurance and public assistance programs, number and as percent of aged population, Great Britain and the United States, 1950 and 1951

Type of recipient or beneficiary	Great Britain, March 31, 1950	Continental United States	
		June 30, 1950	Dec. 31, 1951
Number (in thousands)			
Total in aged population <sup>1</sup> .....	6, 678	12, 345	12, 975
Total receiving payments.....	<sup>2</sup> 4, 773	<sup>3</sup> 5, 173	<sup>3</sup> 6, 195
Under insurance programs.....	4, 245	2, 670	3, 925
Under assistance programs.....	<sup>4</sup> 1, 083	2, 783	2, 670
Supplementing insurance benefit.	555	280	400
Assistance only.....	528	2, 503	2, 270
As percent of aged population			
Total receiving payments.....	71	42	48
Under insurance programs.....	64	22	30
Under assistance programs.....	16	23	21
Supplementing insurance benefit.	8	2	3
Assistance only.....	8	20	17

<sup>1</sup> Men aged 65 and over in Great Britain and in the United States; women aged 60 and over in Great Britain and 65 and over in the United States.

<sup>2</sup> Represents persons receiving retirement pensions and contributory old-age pensions under the National Insurance Act, noncontributory old-age pensions, national assistance, and payments under the special superannuation schemes for teachers and government employees. Excludes aged persons receiving payments under benefit program for veterans.

<sup>3</sup> Represents persons aged 65 and over receiving payments under old-age and survivors insurance; the railroad retirement program; Federal, State, and local government retirement programs; and old-age assistance. Excludes persons receiving payments under benefit programs for veterans.

<sup>4</sup> Persons receiving noncontributory old-age pensions and cases receiving national assistance. Adjusted for duplication.

Sources: Population data for Great Britain from *Monthly Digest of Statistics* (London), July 1951, p. 1; for the United States, estimated from unpublished data, Bureau of the Census.

Data on payments in Great Britain from *Second Report of the Ministry of National Insurance for the Period 5th July 1949 to 31st Dec. 1950*, Cmd. 8412, Nov. 1951, p. 60; *Report of the National Assistance Board for the Year Ended 31st Dec. 1950*, Cmd. 8276, June 1951, pp. 6, 33, 36; *Civil Estimates for the Year Ending 31st March 1951*, Class VIII; *Education 1900-1950, The Report of the Ministry of Education and the Statistics of Public Education for England and Wales for the Year 1950*, Cmd. 8244, June 1951, p. 217; *Education in Scotland in 1950, A Report of the Secretary of State for Scotland*, Cmd. 8200, 1951, p. 95. Data are partly estimated.

Data on payments in the United States from reports of administrative agencies, partly estimated.

Britain since assistance allowances are normally paid on the basis of the household, rather than the individual. Two retirement pensions, but only one supplementary assistance allowance, may be received by an aged married couple. If half the 555,000 supplementary assistance cases shown in table 1 consisted of couples and both husband and wife were receiving retirement pensions, the proportion of insurance beneficiaries getting supplementation could have been as high as 20 percent.

That Great Britain had a larger proportion of aged persons receiving payments under public programs is attributable in part to the greater maturity of the principal British social insurance program and its universal coverage. These factors account, also, for the circumstance that insurance beneficiaries outnumbered persons receiving assistance only approximately 8 to 1 in Great Britain in 1950 but less than 2 to 1 in the United States at the end of 1951.

The main British contributory system for the aged became effective in 1926; contributions under Federal old-age and survivors insurance in the United States were first collected in 1937. More aged British than American workers have had opportunities to meet the qualifying conditions for benefits.

The British system covers the entire working population. Even before 1948, when major changes were made in the whole structure of social security, the contributory system covered all manual workers and all nonmanual workers earning less than £420 a year except those protected by special systems. The broadened coverage of old-age and survivors insurance under the 1950 amendments to the Social Security Act still leaves about 14 percent of the paid civilian labor force in the United States without systematic public protection against income loss in old age; before January 1951 this ratio was approximately 30 percent.

Another factor seems to be the higher retirement rate in Great Britain, where retired workers bulk larger in the aged population than they do in the United States. This is a function to some extent of the

higher median age of Great Britain's older people. Persons aged 65-69, who account in both countries for more than half of all workers past age 65, comprised 37.5 percent of the total population aged 65 and over in Great Britain in 1950 but 41 percent of the same age classes in the United States in that year. More than differences in age distribution appear to be involved, however, since age for age, older persons still at work seem to be relatively more numerous in the United States than in Great Britain. Inasmuch as unemployment is at an even lower rate in Great Britain, the difference cannot be accounted for by differences in work opportunities. Neither can it be explained by the exempt-earnings provision in the old-age and survivors insurance program in the United States, since such exemptions were relatively more generous in relation to benefit amounts in the British system, which provides, in addition, for the termination of the work clause at age 70 (65 for women) rather than at age 75 and permits benefit increments for years in employment beyond pensionable age.

Part of the explanation may lie in the more frequent opportunities in the United States for self-employment, in which retirement can be postponed longer than in wage or salary employment. In May 1950 approximately 8 percent of British employment for pay or profit was self-employment; in the United States, 19 percent was self-employment.<sup>1</sup> These ratios are somewhat higher, of course, among the aged. It was 44 percent among United States workers aged 65 and over<sup>2</sup> and 32 percent among British workers aged 60-75.<sup>3</sup> The higher retirement rate in Great Britain may be related also to differences between the two countries in employer policies in this respect, a factor difficult to assess for lack of information. Of some influ-

<sup>1</sup> Ratio for Great Britain estimated from data in *Ministry of Labour Gazette*, July 1950, page 233; June 1951, page 224. Ratio for the United States from the Bureau of the Census, *Monthly Report on the Labor Force: May 1950*, table 7.

<sup>2</sup> Bureau of the Census, unpublished estimate.

<sup>3</sup> Basil William Amulree, *Adding Life to Years*, London, 1951, page 83.

ence, doubtless, must be the fact that more British workers have the opportunity to qualify for a retirement pension, because of the greater maturity and universal coverage of the British program and the population's longer experience with going on the benefit rolls at pensionable age.<sup>4</sup>

### *Relation of Benefits to Earnings*

Related, possibly, to the higher retirement rate in Great Britain is the closer relation of average benefit to earnings. The flat 26s. benefit received by retired workers in April 1950 was 21 percent of average weekly earnings of 123s. 4d. in manufacturing in that month.<sup>5</sup> In October 1951 the benefit to persons then of pensionable age was increased to 30s. Average wages in manufacturing in the meanwhile had increased to 139s. 10d.<sup>6</sup> The ratio was again 21 percent.

The average monthly benefit received by a retired worker under old-age and survivors insurance in April 1950 was \$26.22, or—on a weekly basis—11 percent of average earnings of \$56.93 of factory production workers that month.<sup>7</sup> On the scale being used here, in other words, the average American benefit was about half the British benefit. In October 1951, following enactment of the 1950 amendments, monthly old-age benefits averaged \$42.19, or 15 percent of average earnings in manufacturing, which were then \$65.21 a week.<sup>8</sup>

Similar differences may be ob-

<sup>4</sup> Retirement trends in relation to the operation of the insurance system are discussed in the *Second Report of the Ministry of National Insurance*, November 1951, Cmd. 8412, pages 16-20, and *National Insurance Act, 1946: First Interim Report by the Government Actuary*, February 1951, House of Commons Paper 103, pages 22-25.

<sup>5</sup> *Ministry of Labour Gazette*, September 1950, page 296. Data on earnings in manufacturing are used because they are the most comparable for the two countries.

<sup>6</sup> *Ibid.*, March 1952, page 82.

<sup>7</sup> *Monthly Labor Review*, July 1950, page 164.

<sup>8</sup> *Ibid.*, January 1952, page 95 Workers earning these amounts would probably qualify for higher retirement benefits than those shown; the data given are intended to measure differences between Great Britain and the United States in the earnings-benefit relationship and not to show the benefit a worker with given average earnings would draw.

served when the basis of comparison is the benefit income of an aged couple consisting of a retired worker and his eligible wife. In April 1950 the relation of the couple's benefit to average factory earnings was 34 percent in Great Britain and 17 percent in the United States. In October 1951 these ratios were 37 percent and 25 percent, respectively.

### Relative Costs

Per capita expenditures for benefits and assistance to the aged in the fiscal year 1949-50 were slightly higher in Great Britain than in the United States on an international currency exchange basis. Per person of all ages in the civilian population, Great Britain spent £6 16s. 2d., or \$19.07 (£=\$2.80). The United States spent \$17.06 per person in the civilian population in that year and \$21.52 in 1950-51. Comparable data for the later year for Great Britain are not available.

Per capita expenditures do not, however, provide an adequate basis for international comparisons, since international exchange rates do not reflect differences in purchasing power and since, more importantly, expenditures for a given program, even on a per capita basis, possess significance only in relation to the total amount of money available for spending by the economy as a whole or by government.

A more satisfactory comparison of cost burdens may be obtained by measuring differences in the proportion of national income devoted to old-age benefits and assistance. On this basis, Great Britain spent relatively two and one-half times as much in 1949-50 as did the United States. In that year, expenditures for money payments to older persons absorbed 2.9 percent of Great Britain's national income of £11.5 billion. The corresponding proportion for the United States was 1.2 percent of a national income of \$219.2 billion; in 1950-51 the national income increased to \$262.4 billion, but expenditures for benefits and assistance to the aged rose roughly in proportion, leaving the 1.2-percent ratio unchanged.

Comparisons may also be made on the basis of payments to the aged as

**Table 2.—Estimated expenditures for benefits and assistance to aged persons<sup>1</sup> under public programs, Great Britain, 1949-50, and the United States, 1949-50 and 1950-51**

Programs for the aged	[In millions]		
	Great Britain, 1949-50 <sup>2</sup>	United States <sup>3</sup>	
		1949-50 <sup>4</sup>	1950-51 <sup>4</sup>
Total.....	£329.1	\$2,541.3	\$3,242.2
Insurance programs	272.4	1,103.3	1,769.6
General program <sup>5</sup>	248.9	548.0	1,164.9
Other programs <sup>6</sup>	23.5	555.3	604.7
Assistance programs <sup>7</sup> .....	56.7	1,438.0	1,472.6

<sup>1</sup> Men aged 65 and over in Great Britain and in the United States; women aged 60 and over in Great Britain and 65 and over in the United States.

<sup>2</sup> Fiscal year ended March 31, 1950.

<sup>3</sup> Includes expenditures for payments to persons in Territories, possessions, and foreign countries.

<sup>4</sup> Fiscal year ended June 30.

<sup>5</sup> In Great Britain, retirement pensions under the National Insurance Act; in the United States, old-age and survivors insurance.

<sup>6</sup> In Great Britain, government employee superannuation and teacher superannuation; in the United States, railroad retirement, Federal, State, and local government employee retirement.

<sup>7</sup> In Great Britain, noncontributory old-age pensions and national assistance; in the United States, old-age assistance.

Sources: See table 1.

a percent of government expenditures for all purposes and as a percent of government expenditures for all income-maintenance programs. In 1949-50, benefits and assistance to aged persons in Great Britain accounted for 8 percent of the £4,118 million spent by the National Government, local authorities, and the national insurance funds. Benefits—including expenditures from social insurance trust funds—and assistance to the aged in the United States in the same year represented 3.9 percent of a total outlay of \$65.1 billion by Federal, State, and local governments.

A similar relationship is apparent when the basis of comparison is expenditures for all public income-maintenance programs—that is, all social insurance and related programs, including age and disability payments to veterans and their survivors, public assistance, and, in Great Britain, the family allowance program. Such programs, including administration, cost £655 million in Great Britain in 1949-50 and \$9,249 million in the United States.<sup>9</sup> Benefit and assistance payments to the aged represented 50 percent of the

<sup>9</sup> See the *Bulletin*, July 1952, page 15.

British total and 27 percent of the total in the United States.

Whether taken as a percent of national income, of all government expenditures, or of government expenditures for income-maintenance programs, payments to the aged in Great Britain in 1949-50 were from two to two and one-half times those in the United States. Factors underlying the differences include the relatively larger number of aged persons in Great Britain and the larger proportion of the aged population receiving insurance benefits or assistance, the termination of the work clause at age 70 (65 for women), the availability of benefits to women aged 60-64, and the smaller per capita national income.

Persons in the pensionable ages in Great Britain (women aged 60 and over, and men aged 65 and over) constituted 14 percent of the total population in 1950, as compared with the 8 percent that persons aged 65 and over represented of the total population in the United States. When the comparison is confined to persons aged 65 and over, the percentages are 11 and 8, respectively.

Almost half of all British women aged 60-64 were receiving retirement benefits in March 1950. In the United States, women in this age class are, with a few minor exceptions, eligible neither for retirement benefits nor for old-age assistance.

Great Britain's per capita national income in the calendar year 1950 was £236<sup>10</sup> or \$661. The United States, with a per capita national income in that year of \$1,580,<sup>11</sup> would have spent less of its national income on public programs for the aged even if as large a proportion of the older population had been receiving benefits or assistance, assuming, that is, no change in average payment.

Brief reference may be made to the fiscal structure of the programs in the two countries. The major American system, old-age and survivors insurance, is supported by

<sup>10</sup> *Preliminary National Income and Expenditure Estimates 1948 to 1951*, Cmd. 8486, March 1952, page 4.

<sup>11</sup> *National Income*, 1951 edition (Supplement to *Survey of Current Business*), page 148.

equal contributions of employees and employers, and since January 1, 1951, by the contributions of self-employed covered workers. The contribution schedule under the 1950 amendments is designed to make the program self-supporting. The unified British insurance system, by contrast, provides for a tripartite sharing of costs among Government, insured persons, and employers. Under the rates in effect in 1949-50, insured persons were the source of about 41 percent of the contributions paid into the National Insurance Fund, employers about 34 percent, and the Government about 25 percent. Since the British system is on a pay-as-you-go basis, and no major changes are contemplated in the contribution schedules of insured persons and employers, increases in cost in the future are expected to be met by raising the Government contribution. According to the Government Actuary's estimates,<sup>12</sup> the Government is expected to meet about five-eighths of the cost of retirement pensions in 1968 and about three-fourths in 1978.

The division of cost among insured persons, employers, and government looks somewhat different, however, when insurance and assistance programs are combined, and when account is taken of the separate insurance programs for railroad and government workers in the United States and of government workers in Great Britain.

If expenditures for old-age assistance are considered as a government contribution, 33 percent of the income of public programs for the aged in the United States in 1949-50 was contributed by employees, 41 percent by employers, and 25 percent by government. Included in employers' contributions are those made by Federal, State, and local governments to the retirement systems for government workers and members of the Armed Forces. In 1950-51, 37 percent of the funds came from employees, 42 percent from employers, and 21 percent from government.

<sup>12</sup> *National Insurance Bill, 1946, Report by the Government Actuary on the Financial Provisions of the Bill*, Cmd. 6730, January 1946, pages 12, 16.

The corresponding percentages in Great Britain in 1949-50 were 36 percent from insured persons, 31 percent from employers, and 33 percent from Government. The Government contribution was relatively larger than that of the United States, but most of it took the form of a direct subsidy of the insurance system; in the United States the government contribution was confined to public assistance.

## Recent Publications\*

### Social Security Administration

BUREAU OF PUBLIC ASSISTANCE. *Aid to the Blind Recipients with Earnings in September 1950*. (Public Assistance Report No. 19.) Washington: The Bureau, June 1952. 49 pp. Processed.

Statistical data, based on an inquiry conducted in 47 States, giving the number of recipients, their characteristics, and the amount of their assistance payments. Limited free distribution; apply to the Bureau of Public Assistance, Social Security Administration, Washington 25, D. C.

BUREAU OF PUBLIC ASSISTANCE. *Recipients Recently Approved for Old-Age Assistance: Status with Respect to Old-Age and Survivors Insurance, March 1950*. (Public Assistance Report No. 20.) Washington: The Bureau, June 1952. 43 pp. Processed.

Presents basic tabulations and highlights from a study made by the Bureau of Public Assistance and the Bureau of Old-Age and Survivors Insurance in cooperation with the State agencies responsible for old-age assistance programs. Limited free distribution; apply to the Bureau of Public Assistance, Social Security Administration, Washington 25, D. C.

CHILDREN'S BUREAU. *Discussion Aid for "A Healthy Personality for Your Child."* (Children's Bureau Publication No. 338-1952.) Washington: U. S. Govt. Print. Off., 1952. 16 pp. 10 cents.

Includes a list of books, pamphlets, and films.

\* Prepared in the Library, Federal Security Agency. Orders for the publications listed should be directed to publishers and booksellers; Federal publications for which prices are listed should be ordered from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.

CHILDREN'S BUREAU. *Emotional Problems Associated with Handicapping Conditions in Children*. (Children's Bureau Publication No. 336-1952.) Washington: U. S. Govt. Print. Off., 1952. 19 pp. 20 cents.

HARDY, WILLIAM G. *Children with Impaired Hearing: An Audiologic Perspective*. (Children's Bureau Publication No. 326-1952.) Washington: U. S. Govt. Print. Off., 1952. 22 pp. 15 cents.

Discusses incidence of hearing impairment, diagnostic testing, clinical audiology, and special education.

### General

BUCHANAN, JAMES M. "Federal Grants and Resource Allocation." *Journal of Political Economy*, Chicago, Vol. 60, June 1952, pp. 208-217. \$1.50.

CORSON, JOHN J. *Executives for the Federal Service: A Program for Action in Time of Crisis*. New York: Columbia University Press, 1952. 91 pp. \$1.50.

INTERNATIONAL LABOR OFFICE. *Minimum Standards of Social Security*. (International Labor Conference, Thirty-Fifth Session, Geneva, 1952, Report V(a)(2).) Geneva: The Office, 1952. 313 pp. \$1.75.

Replies of Governments to an ILO questionnaire, and the proposed text of the Convention on Minimum Standards of Social Security.

INTERNATIONAL LABOR OFFICE. *Report of the Director-General*. (Fifth Conference of American States Members of the International Labor Organization, Rio de Janeiro, April 1952.) Geneva: The Office, 1952. 152 pp. 75 cents.

Sets forth the principal social problems facing the Latin-American countries and summarizes the contributions made by the ILO in efforts to solve these problems.

### Retirement and Old Age

ACKERMAN, LAURENCE J., and MCKAIN, WALTER C., JR. "Retirement Programs for Industrial Workers." *Harvard Business Review*, Boston, Vol. 30, July-Aug. 1952, pp. 97-108. \$1.50

BENDER, JOHN F. *Retirement Plans in Colleges and Universities, and Important Factors Affecting Them*. Norman, Okla.: University of

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