

## STATE OLD AGE PENSIONS IN THE UNITED STATES

BY

W. RULON WILLIAMSON

When I was in college there was a course in sociology concerning that subnormal set of classes incapable of self-support designated as dependents, defectives and delinquents. In general, institutional care was provided for these classes respectively by poor-houses, asylums and jails. The abnormality of the individuals who belonged to this group was evident and it was clearly the essential desire of each normal individual to keep himself from lapsing into any one of these undesirable classifications.

There were four subdivisions of the dependent class—the very young, the disabled, the unemployed and the very old. The very young, orphaned and without family care, were to be given education so that at maturity they might graduate from the state of dependency into a condition of self-support. The disabled group might be granted medical treatment in hospitals operated through the poor relief system so that a return to health and a self-supporting status could ensue. Should invalidity become chronic the individual shared the situation with the very old where inability to earn became a permanent status. The unemployed might be either unemployable or temporarily out of work. "Unemployable," upon analysis, might indicate membership in the chronic disability group or in the group of delinquents or irresponsibles which requires institutional restraint. The fact that an individual was temporarily unemployed might, to a certain extent, be charged against society as a whole rather than entirely against the individual. Provision for this class might be so planned as to remedy the temporary unemployment status and to avoid the permanency of such assistance.

The aged poor differed from these other classes in that once a permanent dependent superannuation status had been determined there seemed to be no exit from the group save by the way of death, in spite of the occasional spectacular case where the poor-house inmate became heir to a tidy fortune. Since, however, it was known that the death rates among the aged were high and the expectancy of life limited to a few years, and since it was believed that in the main conditions were improving in society,

it was expected that the number of the aged poor might be regarded as relatively constant or possibly subject to decrease so that, methods of care once established, the problem could be assumed to be practically settled.

The institution to which old people were committed was known as the poorhouse, the almshouse, or the poor farm, depending on local conditions. They were sometimes county, sometimes town or city affairs, maintained by taxes under the management of political appointees. While there has always been a conflict between the sense of smug satisfaction with the conditions of administration and a desire for more humane, more individual consideration of the inmates as a whole, the community has considered that after the wrench of making the assignment to the poorhouse has been accepted by the individual that this method of providing for the old is simple, economical and satisfactory.

This assumption is now being questioned. State legislatures throughout the country are considering providing for the old through old age pensions so that assignment to a poorhouse will not be the sole means of provision for the aged but instead the deficiency in income may be removed and the individual may be allowed to continue as nearly normal a life as possible outside of an institution.

The poorhouse was not devised for the aged poor alone but the obvious inadvisability of subjecting children to the same conditions to which the other dependent groups were being submitted became apparent and special care has been assigned to them, sometimes in orphanages—more recently, where possible, in individual homes. The advance of adequate diagnosis of conditions has resulted in the discovery that a large proportion of the group with ages between childhood and old age had defects calling for treatment and specialized care in other institutions. This has left in the poorhouses the unfortunate dependent aged and many individuals with subnormal mentality and physique but with abnormalities not so pronounced as to call for treatment in asylums or in other specialized institutions. Where such inmates are numerous their effect upon the relatively normal aged must be depressing.

The individual has considered that such poverty as to require assignment to a poorhouse, as a last resort, is a disgrace not merely to himself but to his family, and the responsible members of the

family have shared this belief and have attempted to extend help where needed so as to prevent any near relative going to the poorhouse. Probably one of the major influences operating upon many individuals to curb extravagance and, when the feeling of horror of poverty grows too strong, to prevent even wise expenditure, has been the fear of dropping into the subnormal category of poorhouse inmates.

The development of workmen's compensation with a cash payment to the victims of industrial accidents and to their dependents, the very rapid progress in insurance with its money benefits, the extension of institutional relief or social insurance in Europe, have turned the attention of legislators, welfare workers and others to a similar possibility of cash relief rather than institutional care for the aged. Three organizations—The American Association for Labor Legislation, The Association for Old Age Security and The Fraternal Order of Eagles—have made the substitution of cash for care a major issue. The Association for Old Age Security seems to exist solely to urge state pensions. The Fraternal Order of Eagles may have other reasons for existence but their publicity centers entirely upon this aim. The three organizations have sponsored legislation in practically every state stressing old age pensions. They are also interested in the possibility of federal legislation to reinforce and make uniform state legislation. They claim credit for laws already enacted and the interest developed in other states, and their sales ability is probably a very important element in supplying the legislatures with clearly expressed reasons for the legislation.

The general form of the law now being pushed provides that the citizen over the age of 70 without adequate means of support shall receive from the state an income of approximately \$1.00 a day, citizenship in the state and residence in the state for about fifteen years to be prerequisites; the costs being divided between the state and the local county or town administration. State costs may be met currently from annual appropriations by the legislature. Property of more than \$5,000 or income of at least \$300 excludes the individuals from consideration, while family responsibility is to care for many individuals and keep them from state aid.

Obviously no general law such as this will be passed uniformly in each state and the various states have adopted individual

variants of this general program. Laws have been passed in California, Colorado, Kentucky, Maryland, Massachusetts, Minnesota, Montana, Nevada, New York, Utah, Wisconsin and Wyoming, and in the territory of Alaska. An earlier bill in Wyoming was vetoed by the Governor; one in Washington was vetoed by the Governor. In Arizona and Pennsylvania the laws were enacted but have been declared unconstitutional. The effectiveness of the law is in most states dependent upon the adoption of the plan by the county. The effectiveness of the Wyoming law seems negligible to date because of the lack of funds to back up the program.

The New York law permitted the filing of applications in September 1930, payments to begin in 1931. Apparently applications are pouring in very rapidly from prospective recipients. The New York law is distinctive in its attempt to fit cash relief, without any maximum being written into the law, into the present scheme of institutional relief. It recognizes the principle that it may not be a kindness to the pensioner who has no family ties whatever to assign him a limited amount of funds and no actual provision for housing and food. It seemed evident in New York that the institution was not necessarily bad and that it should be preserved to care for what must be a very large group of isolated individuals who can most humanely be cared for there instead of being turned back upon their own resources. It seems logical that the New York position will be followed in the older, more prosperous states and that alternative methods of provision will follow the recognition that the cash grant alone is too simple to be completely effective.

California's bill is mandatory, and provides for *preference* in giving aid to administering it in the home of the applicant, or at least outside of an institution. The responsibility of children for support is emphasized. The Massachusetts law is very similar.

Governor Roosevelt of New York in June of this year addressed the annual convention of governors at Salt Lake City, urging the other states to follow the New York example and urging also the affiliated policy of unemployment insurance. Certain candidates for governors in other states have this fall announced their support of an old age pension program as one of the planks in their political platforms.

A forceful, clearly stated report on the subject is that of Mr. Murray W. Latimer of December 28, 1928, printed in the *American Labor Legislation Review*, Volume XIX, page 55, in which Mr. Latimer correlates state aid, aid by industry and aid through the unions in a logical manner.

For a thorough review of the situation and the claims made by those in favor of and by those opposed to this type of program, a brief statement of some of the leading arguments advanced on both sides seems worth making.

Among the arguments for these old age pensions to be furnished by the state and through the state machinery are the following:

1. Actual need exists.
2. The state is responsible for those citizens who either because of personal weakness or the failure of society reach old age without property.
3. Almshouse care is obsolete. The almshouse management is inefficient, thoughtless of the human needs of its inmates, expensive and unsatisfactory. It houses the worthy poor with the feeble minded, the semi-criminal, the diseased. It should be abandoned.
4. Need being admitted, no stigma should be attached to the receipt of an old age income and any hesitation on the part of the needy to apply for aid should be abandoned.
5. The developments of medical prevention, sanitation and modern civilization have prolonged life and are tending to increase the proportion of the aged and the period of time during which they will need assistance.
6. Constant technological advances in machinery and efficiency involve persistent adjustments throwing men out of work. When loss of work occurs at an advanced age, commonly stated at 40, new positions are almost impossible to secure and technological unemployment in late middle life will exhaust savings for old age long before actual old age itself arrives, further increasing the need of pensions.
7. Current pension plans in industry affect so very small a proportion of the total needy aged as to be practically negligible in approaching the problem, while a majority of

these plans have so little financial backing as to offer no adequate security to the present active employee when old age shall finally occur.

8. England, Germany, France and other important European nations are caring for the aged through old age pensions.
9. American living costs are so high that, in spite of the definitely higher real wages in America, there remains a large proportion in the lower income range forced to live below the normal standard, even when spending the entire income on living expenses. This group can therefore accomplish no savings whatever against old age.
10. In spite of inadequate income for the poor, the country as a whole is wealthy, in control of huge natural resources, and by cooperative measures is well able to provide for the relatively small proportion of the superannuated. If it is assumed that even 10% of the population is above the age of 65, that 30% are below the age of 20, the remaining 60% should be expected to make up the deficiencies in the resources of the aged and to care for the children until they enter the group of workers. The cost should be assessed again on ability to pay against the group numerically much smaller than 60% in possession of largest resources.
11. The state, with its taxing power, has the machinery to make old age care effective, must grant proper assistance and should be required to do it by law.
12. Soldiers of various wars have been cheerfully granted incomes in their dependent years in recognition of the signal service they have rendered to their communities. In certain respects such service is no greater than that accorded during peace by the "soldiers of industry" who should be rewarded in old age for such service.
13. The absence of income on the part of any considerable portion of our population reduces aggregate expenditures and aggravates periods of depression. By putting cash in the hands of the aged we keep expenditure effective and help to consume the products of industry.
14. The present reduced value of the dollar as against its value thirty years ago must be laid at the door of society as a whole. The reduction of effective savings in terms of

purchasing power bears with particular weight upon the aged poor. Society can grant redress through old age pensions.

On the other hand, many arguments have been advanced against this type of bill. Among them are the following:

1. The actual need for old age assistance exists but has been greatly exaggerated. The 1925 Massachusetts' report by the Commission on Pensions indicated that in 17,000 actual cases of old age investigated over 40% had accumulated property in excess of \$5,000.
2. Real wages are now much greater than they were when the present aged were active producers and the proportion of the needy in the future may be expected to decline.
3. A money grant is not adequate care for the aged individual. He is in most instances somewhat impaired physically and becoming steadily more so. He frequently requires institutional care and more adequate provision than a money grant.
4. Provision of an old age income under state aid, removing the element of disgrace, counteracts one of the strongest incentives to personal thrift, lowers the morale of the citizens and drains the public treasury.
5. State administration of cash payments will be inefficient, developing a bureaucracy and its abuses. Candidates may ride into office on the old slogan of "bread and circuses."
6. The plan is dangerously socialistic. It contemplates taking from the provident even more widely than at present to contribute to the improvident, thereby reducing providence and developing an increasingly large group of dole receivers. State pension plans are serious infringements upon personal liberties, contrary to the spirit of the country, and with dangerous tendencies.
7. Industry and other organizations are already in increasing proportion granting service pensions in their respective fields. Not only are large private employers of labor operating pension plans but such groups as the ministerial organizations in the Protestant churches, state aggregations of teachers and employees of states and municipi-

palities are establishing financially sound plans of advance provision for old age. These plans are more and more steadily combining the effective thrift of the individual members and the cooperation of the organization or the employer.

8. Actual available agencies of thrift fitted to our individualistic society are functioning with increasing effectiveness. Life insurance companies, building and loan organizations, instalment plans of investment, are open to the mass of wage earners and are being used increasingly. These plans are bound to reduce the number of dependent aged in the future. Their good work with its concomitant character building achievement should not be hampered by any state financing of the aged which will both cripple these beneficent private enterprises and reduce the efforts of the individual toward thrift.
9. While the current laws are relatively harmless, they constitute an entering wedge for widespread state pension plans along continental lines. Where some of the previous arguments seem to be too strong when directed against the current pension legislation, they have more logic when directed against the subsequent developments bound to take place in the current legislation. The Association for Old Age Security has stated that the present relief of need in old age is the first work of the organization but that subsequently more thoroughgoing advance planning should be made. There will undoubtedly be strong pressure both to increase the present grants and to develop state insurance plans not limited merely to old age but involving the entire program of old age, sickness, invalidity, death, maternity, unemployment insurance, family allowances. For such programs assessment will be required against the individual, the employer, the state or the large taxpayer. Huge funds will be required which must be invested not by business men but by political appointees. This will lead to political manipulation, the hampering of private enterprise and initiative. When the state is definitely in such insurance business the next logical step will be state administration of public utilities and manufacture.



10. **Emotional Legislation:** The sentimental display of data concerning individual cases of need and the stressing of the "service to society" slogan both ignore the facts that most of the individuals involved have elected personal expenditures instead of personal thrift and that the "service to society" of the individuals needing care seems mainly to consist of mere continued living. There is danger in this emotional point of view, in bolstering up the argument for relief of misfortune by a plausible but fictitious argument that the relief is a reward earned by the individual. It becomes a false, unreal basis for the relief.
11. **Foreign Experience:** The administration of foreign old age pension plans and affiliated forms of relief has developed abuses. There seems to be a persistent danger that the very relief measures designed to aid the needy may become so great an incubus upon active industry as to paralyze it and to increase need rather than to diminish it.
12. **Pensions An Additional, Not A Substitute Expense:** The claim that old age pensions will essentially be met by a reduction in outlay for poorhouse administration and through the reduction of other forms of charity, calls forth the counter argument that in certain foreign experience the outlay for the other charities has remained as high as before the pension plans.
13. **Medical Advance:** No very clear evidence yet indicates much of an increase in the length of life at the higher ages. In fact the gain has been very largely at infancy and in early maturity and it is sometimes believed that death rates are actually increasing in late maturity due to the influx of impaired lives which have been temporarily extended. If medical science applied to late middle life finds it possible to extend life, it is to be assumed that it may also extend capacity so that old age may begin at a later age and the dependent period need not be indefinitely increased.
14. **Cost Estimates Vague:** Rarely in the consideration of old age pension plans is there a sufficient amount of statistical data to enable an accurate estimate of probable cost. The proponents of the plan are faced with the dilemma of

indicating the overwhelming need for assistance on the one hand and a reasonably low cost for meeting the need on the other. In the 1925 report of the Massachusetts Commission on Pensions under the chairmanship of Ex-Commissioner Hardison of the Massachusetts Insurance Department, a thoughtful fact finding commission presented a split report, three members urging the cash grant, two voicing opposition to the grant. The three members who urged the pension estimated the annual cost below \$6,000,000. The two who opposed the grant indicated the danger of a cost of nearly \$50,000,000 should the restraints upon accepting state aid be removed. Thus the three members who recommended pensions considered the financial problem a simple one; the two who opposed it believed that the tax burden would be horribly oppressive. At the New York discussion, in an attempt to fasten the attention upon the financial aspects of such legislation, President Ecker of the Metropolitan stated that the present accrued liability for universal pensions at age 65 might amount in New York State to \$2,500,000,000. Even under the assumption that but 30% of those now over 65 would secure the benefit and ignoring any increase in the proportion of dependency resulting in the future from legislation of this type, there would still remain a figure of \$750,000,000 as present accrued liability. The factors, however, are not subject to ready evaluation and much acrimonious discussion is bound to result from attempts on the part of the proponents and the opponents to determine cost figures in advance. No matter how the cost runs, it is safe to say that the outlay will be higher than that desired by the taxpayers.

15. The main sponsors of the old age pension bills have not been citizens of the state considering the bill but have instead been outside organizations, possibly with members in the state, but yet not truly representative of the state and evidencing the irresponsible non-taxpaying position of the professional reformer. The citizens of the state must live with the results of the laws.
16. The present point of view as to the disgrace of accepting

state aid is a strong factor in personal character. Poor-houses should not be too attractive, should continue to be the last resort of the improvident and the unfortunate, though they should not be badly managed. This viewpoint should not be abandoned in favor of easy state aid. Society needs the spur of danger or disgrace to secure the most effective mass action. Obvious security regardless of personal exertion is not helpful in securing maximum individual effort.

These two sets of arguments are indicative of the opposing points of view held at the present time in reference to the reasonableness, the advisability and the necessity of old age pension provision in the United States. It seems definite that we have embarked upon this method of relief of the needy aged—the cash payment—if not as entirely meeting the need yet at least as a supplement to the institutional method of care.

Our responsibility as actuaries includes not only the propounding of the arguments for or against these benefits, which must be thoroughly understood, but also a recognition of the trend of the times and a readiness to attempt as accurately as may be an evaluation of the benefits when under discussion; capable reference to population tables and statistics of old age monetary resources; the use of the statistical method in handling the random samples of data available. We must substitute, insofar as it may be possible, facts for impressions, and must keep as free as may be from emotional overstatement and exaggeration.

There is steadily a stronger purpose evident on the part of the largest industrial groups that employment shall be stabilized wherever possible through the orderly and non-spasmodic growth of their respective organizations and the leveling out of seasonal or cyclical fluctuations in employment; that available safe means of personal thrift shall be more effectively open to the employees; that the individual worker may have not only high nominal wages but that he may secure them over as continuous a period as possible, and that this shall not come from state compulsion from without but from spontaneous attention to the problem from within the industry; that old age pensions shall be granted the long service employees through some orderly, simple plan not recognized as charity, and that where relief is finally needed for

those individuals who fail to fit into this improved economic organization, industry will again undoubtedly contribute through the necessary taxes to the payment of the costs of such essential relief.

Should such stability reduce the danger of unemployment in late middle age, even at the cost of somewhat limiting the freedom of movement on the part of such individuals, it may still further reduce the proportion of indigent aged needing social care and narrow the necessary field of the state pension as a strictly relief measure. It is to be hoped that the mood of the citizens will continue to be one of responsibility and that the evils suggested above may be avoided; that state aid will continue to be looked upon as a last resort and that its accessibility may not prove so strong a temptation that the dependent class will grow to unreasonable proportions.