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Old-Age and Survivors Insurance

By John O. Dunbar

One of the public issues now being widely discussed is whether or not old-age and survivors insurance should be extended to farmers. It is before the Congress; being considered by farm organizations in their annual meetings; and being discussed wherever farmers get together.

The farmers in Indiana want to know about it and have requested us to supply them with some information so they would have a better basis for making a decision. Many meetings have been conducted on this subject throughout the state during the past several years, and more are scheduled for the coming year. The following paragraphs set forth the information presented and the techniques used.

In broad outline these meetings consist of four parts of about equal length, totalling two hours. The first part is aimed at outlining the problem, getting discussion started, pointing up specific questions, and bringing out the beliefs and valuations of the group concerning the issue. During the second phase, mimeographed data are handed out and discussed. These data pertain to the questions pointed up previously. They also contain a statement of the problem, its alternative solutions, and data relative to the consequences of each alternative.

The third part of the meeting consists of dividing the audience into groups of 10 or 12 people for discussion among themselves. These groups are given specific questions to discuss and answer concerning key criteria. They are also asked to choose which alternative solution they prefer. In the fourth period, they are brought back together to report their answers, to discuss the issue further, and to ask the discussion leader for information concerning questions raised in their groups.

PART I. GETTING THE DISCUSSION ROLLING

The first order of business is to establish more or less general agreement among the group that providing a living for old persons and for dependent children that have insufficient income or resources of their own is a problem. To do this we simply ask various individuals in the audience: "Are there any old people

in your community who cannot take care of themselves?" This serves as an ice breaker between the discussion leader and his audience. It gets the people talking.

After laying out the problem, we begin to raise questions about it in the minds of the audience. The question we begin with is: "Why are there so many of these old people who can't take care of themselves?" This is a question about which there is no difficulty getting people to express themselves. In so doing, they express many of their beliefs and values. Among the reasons they give are: "They didn't save enough money"; "didn't earn enough money"; "gave their property to heirs and are now living on relief"; "there is a change in attitude toward pensions"; "there is a decline in purchasing power"; "they are lacking initiative"; "there are fewer opportunities for employment of older people"; "there is more public concern about older people"; "there is a shift in populations from rural to urban"; "people are living longer."

We write everyone's answer to this question on the blackboard. No one's answer is ruled out even though it may seem silly or superficial to us or the group. This makes everyone feel that he is making a contribution. It helps to keep the discussion rolling. It further breaks down barriers between us and the group and within the group. Many of the common beliefs and valuations of the audience are established bit by bit by placing their answers on the blackboard.

Thus, a question of fact is raised in the minds of the audience, about which some information will be given when we hand out and discuss the lesson outline.

We do not hand out the outline before we are ready to go into it because this has a tendency to divert the attention of the people from the discussion leader to the outline. We proceed instead to the next question we wish to raise.

The second question we raise is: "Where do these people live—in the country or in the city, in industrial or in rural areas?" To point up the question in the minds of the audience, we ask for a show of hands on: "Where do you think there are more people out of a thousand over 65 years old receiving public assistance, New York or Iowa?" Wording of this question is important because the discussion leader must avoid giving his answer

away. The majority usually answer "New York." This raises another question of fact in the minds of the people, about which information will be given when the mimeographs are discussed. A follow-up to the question above is a question concerning an agricultural and an industrial county within the state, usually within the district in which the meeting is being held. We have factual information in the lesson outline to answer this question, too.

Up to this time we have raised questions as to the nature and extent of the problem. Our third question concerns methods of caring for old people. We simply ask the group: "How can we take care of these old people?" Answers to this question are listed on the blackboard, too, in order that the people may see what others are thinking and in order to keep the discussion rolling. Methods frequently listed by groups are: "Compulsory saving programs"; "industrial insurance"; "institutions for those who are needy"; "insurance"; "church care." Each person who has an idea gets it heard; he gets it on the blackboard.

Usually by this stage in the meeting a few in the audience would like to "straighten out" some of the others. They want to talk. We feel that this is the opportune time to hand out the mimeographed data and examine the facts concerning the issues involved.

PART II. PRESENTATION OF MIMEOGRAPHED MATERIAL

(See pages 106 to 111)

Going back to the questions that have been raised with the group in the initial discussion period, we try to answer them one at a time.

(1) First we show where the number of people per thousand over 65 receiving public assistance is largest. The audience discovers for itself that there is more old age assistance in Iowa per thousand people over 65 years of age than there is in New York. Within the state of Indiana, a higher percent of the people aged 65 and over usually receive assistance in less industrial counties than in industrial counties.

(2) We point out the large percentage increase in children under nine years of age from 1940 to 1950. Almost everyone knows that many children have been born in recent years; consequently, this comparison establishes more confidence in our data. Then we point out the large percentage change in people

65 and over for the same period. This establishes the fact that the problem of caring for the old people is becoming more serious. It also helps to establish why we have the problem.

(3) With respect to the question, "How can we take care of these people," we turn to the front page of the outline and read with the audience the alternative solutions to the problem of caring for old folks and dependent children. Reading this page helps to save time and clarify what is meant by each of the different solutions. Here we ask if anyone would like to know more about how charity, public assistance, or social insurance works.

The audience usually has several questions ready at this point in the meeting. One common question is: "Aren't benefits from old-age and survivors insurance simply added to those of the present public assistance program? Won't this increase the cost of caring for each old person?" It is pointed out that as the number of beneficiaries for old-age and survivors insurance increases, the number of recipients of old-age assistance decreases. It is also pointed out that the county welfare tax rates have decreased as the number of old-age and survivors insurance beneficiaries has increased. The point is usually also made, when someone asks about it, that insurance will not eliminate completely the assistance programs. There will continue to be some who will never earn enough to make adequate insurance payments.

PART III. SMALL-GROUP DISCUSSIONS

As soon as it becomes evident that the audience has a satisfactory knowledge of the alternative solutions to this problem and the consequences of each, they are divided into groups of 10 to 12 people in the following manner:

1. Decide the number of groups desired.
2. Beginning at one corner of the room have the people "count off" up to the number of groups desired. This counting off is necessary in order to mix the people thoroughly in the subgroups. It helps to break up local groups who might have been sitting together in the meeting.
3. Instruct each group where it will go to hold its group meeting.

4. Instruct each group to appoint a "reporter" who will report back answers of the group to the questions asked. A chairman is not elected because a chairman sometimes dominates the discussion.
5. Give each group two or three specific questions to answer. The questions on this issue are:
 - a. Under which system do you get more regimentation of the individual—public assistance or social security?
 - b. Should old-age and survivors insurance be extended to farmers?

Our experience indicates that asking the right questions is extremely important. We believe that this is as important as thinking through all the alternatives and their consequences. Our first few meetings on this subject were failures before we began asking the groups to answer the question concerning regimentation. Regimentation is considered by farmers to be one of the key criteria as to whether they accept or reject old-age and survivors insurance for farmers. After discussing it, most farmers in Indiana have concluded that there is more regimentation of the individual under public assistance than under the social insurance program. They say that under the former neither the taxpayer nor the recipient has any choice but that under insurance the only one who has no choice is the taxpayer. Farmers use many additional criteria, such as how much individuals pay and receive under each system, to make their decision for or against old-age and survivors insurance.

PART IV. GROUP REPORTS AND FURTHER DISCUSSION

At the end of about thirty minutes of discussion the small groups are reassembled. Each group's answer to each question is recorded, by number for and number against, on the blackboard. The purpose of having the groups report is twofold: (1) to let people know the decisions reached by groups other than their own and (2) to stimulate questions and discussion.

After recording the answers of the first and each succeeding group, the audience is given an opportunity to ask questions or make comments. Frequently, minority members of the small groups like to make an appeal to the whole group. In doing this,

these people sometimes express strongly held viewpoints. Usually someone in the meeting holds an equally strong, but opposite, viewpoint. To encourage the latter to talk, we ask if there is anyone else who would like to discuss this problem. If no one speaks up, we pass on to the next group, or to some other question. This effectively keeps anyone from monopolizing our meeting and keeps us out of the difficult position of having to reply to some eloquent, but emotional rather than factual, arguments.

At all times the discussion leader attempts to keep the discussion going between members of the audience. This provides opportunity for everyone who chooses to express the beliefs and valuation which he holds important concerning the issue at hand. During this period, the discussion leader refers to tables and charts in the lesson outline or answers specific questions only when the answers are not available within the audience. If we save our answers and inject them into the discussion from time to time, people of widely different viewpoints more readily accept us as fact suppliers rather than reject us for espousing a cause.

Some of the questions which we are called upon to answer in this part of the meeting are:

1. Where does the money go when it is collected?

ANSWER: The Old-Age and Survivors Insurance Trust Fund.

2. Is this insurance as cheap as other forms of retirement insurance?

ANSWER: Yes, because there is not as much overhead on it as there is on commercial insurance. Part of the premiums on commercial insurance go to pay for the sales force and are added to the cost.

3. What happens in a period of unemployment?

ANSWER: The surplus in the Old-Age and Survivors Insurance Trust Fund has been estimated to be great enough to take care of emergencies caused by reduced payments into the fund if lower wages and unemployment occur. The reserve in the fund is not designed, however, to take care of a major depression.

4. Where is the money, and what assurance do we have that we will get it back?

ANSWER: The money in the trust fund has been loaned to the United States government and spent. With respect to getting it back, many individuals have loaned money to the government for which they hold a savings bond and which has also been spent. Some of the money which individuals have placed in banks has been used to buy government bonds. It has also been spent. Likewise, much of the money paid into commercial insurance companies has been loaned to the government and spent. The basic answer is that there is as much assurance of getting back this money as there is of getting back any other money which has been loaned to the government.

Since the time for discussion at these meetings is limited, we believe it essential to talk about only important things. Therefore, we have found that the questions we ask in the meeting must be key questions concerning the problem, scope of the problem, criteria that the people use, and choice of alternatives.

DISCUSSION MATERIAL

A. THE PROBLEM

How to provide a living for old persons and for dependent children that have insufficient resources or incomes of their own.

B. ALTERNATIVE SOLUTIONS

1. *Charity*

Individuals in need would obtain assistance from other members of the family, relatives, friends, the church, the lodge, the Salvation Army, etc.

2. *Public Assistance*

Individuals in need would obtain public assistance from programs financed by general taxation. The kind and amount of assistance granted would depend upon statutory regulations and upon the decisions of administrators. All taxpayers would contribute in accordance with the tax laws. Examples of programs of this type are: township poor relief, county homes, county orphanages and county welfare departments.

3. *Social Insurance*

Workers and self-employed individuals would reduce or eliminate their need for assistance by carrying insurance. Insurance of this type would provide the worker (after retirement) and his dependents (in case of death) with incomes sufficient to meet minimum needs in most cases. Premiums would vary with incomes, and benefits would vary in accordance with premiums paid. Benefit payments would be automatic and bear no relationship to need. To be effective, insurance of this type would have to be mandatory. The Old-Age and Survivors Insurance Program now in operation is an example of this type of insurance.

4. *Combinations of 1, 2 and 3.*

Old-Age Assistance

Old-age assistance, commonly known as old-age pensions, is a joint federal-state-county program under the Federal Social Security Act and the Indiana Public Welfare Act. The Act was passed in 1935 and payments were first made in 1936.

As originally set up it was to be financed on a 50 percent federal, 30 percent state, and 20 percent county basis. In recent years this ratio has been slightly modified. The program is administered by the State Department of Public Welfare and the county department of public welfare. The county finances its share by levying a county-wide property tax. The state's share comes out of the state general fund, which is largely dependent upon the gross income tax. The federal share is financed by income, excise, and other taxes.

The maximum amount that can be granted to any individual 65 and over (except medical) is \$55 per month. As compared with township poor relief, the recipients of old-age assistance get the cash and have complete control over its expenditure (except medical). The state law also authorizes payments up to \$200 for burial.

To be eligible for old-age assistance a person must meet the following requirements: must be 65 or older; must have been a resident of Indiana for five out of the past nine years, the last year of which must have been continuous; must not have sufficient income to support himself and not at any time within five

years prior to date of filing application for assistance made an assignment or transfer of property in order to become eligible (Indiana state law).

Aid to Dependent Children

Like the old-age assistance program, the aid to dependent children program is a joint federal-state-county program operating under the Federal Social Security Act and the Indiana Public Welfare Act. It was also financed originally upon a 50-30-20 basis.

The maximum grant that can be made for dependents is \$60 per month for the mother and first child and \$21 for each succeeding child. The county welfare department is allowed by law to pay \$3 per day to board dependent children with relatives and institutions.

To be eligible a dependent child must: have been a resident of Indiana for a period of one year before application or have been born within the state within one year before application and whose mother has been a resident for one year; be a needy child under 16 or if attending school under 18; have been deprived of parental support due to death, desertion, physical, or mental incapacity and whose liable relatives are unable to support the child adequately; be residing with a relative.

Old-Age and Survivors Insurance

The old-age and survivors insurance program was set up by the same federal legislation that provided matching funds to states for old-age assistance and aid to dependent children.

The thought at the time was that insurance, not assistance, would be the major program for providing a minimum living for retired workers and/or their dependent survivors. The assistance programs were considered as stop-gap measures and were intended primarily: to meet the immediate needs until the insurance program got into gear; to care for those persons beyond the point of getting insured; and to meet the needs of those not covered by the insurance program.

However, the insurance program was established on a very limited basis both as to numbers covered and amount of benefits. Prior to September 1950, only about half the working force of

the United States was covered. In September 1950, the Act was amended to increase benefits and extend coverage to include additional workers and certain self-employed groups. This leaves about one-fifth of the employed labor force outside the insurance program. This group includes:

- (a) 9 million people in agriculture, including self-employed, family workers, and irregularly hired labor.
- (b) 1 million nonfarm self-employed, including doctors, lawyers, and preachers.
- (c) .7 million domestic workers.
- (d) 2.4 million employees of state and local governments.
- (e) .5 million railroad workers.
- (f) 2.2 million federal civilian employees.

A worker is fully insured when he has one quarter (three months period) of coverage for each two calendar quarters elapsing after 1950 or age 21 if that is later and before the quarter in which he became age 65 or died—with a total of at least six quarters. However, once an individual has earned forty quarters of coverage he is fully insured for life.

Benefits and Premiums

To worker at age 65: 55 percent of first \$100 monthly wage plus 15 percent of next \$200, with a minimum of \$25 per month.

To retired worker's wife: Monthly benefits equal to one-half of husband's benefits when she reaches 65 or at an earlier age if she has a dependent child.

To retired worker's children: Insured monthly benefits equal to one-half of father's benefits if they are under 18.

Total benefits: Limited to 80 percent of worker's average monthly wage or \$168.75, whichever is less.

When worker dies: Lump sum benefit equal to three times primary insurance paid to widow or widower or amount of burial expense if paid to someone else.

Monthly benefit to survivors: Widow's benefit equal to three-fourths of husband's benefit if she is 65 or younger and has dependent children. Benefits stop when youngest child is 18 and start again when she reaches 65. If only one child is under 18, he

receives benefits equal to three-fourths of father's benefit. If more than one child is under 18, each receives one-half of father's benefit plus equal shares of another fourth.

TABLE 1. APPROXIMATE BENEFITS: OLD-AGE AND SURVIVORS INSURANCE PROGRAM¹

Average Monthly Wage after 1950	Benefit Payments			
	To Retired Worker	Retired Worker and Wife	Widow at 65	Widow with Two Children
\$ 50	\$27.50	\$ 41.30	\$20.70	\$ 45.10
100	55.00	75.00	41.30	80.00
200	70.00	105.00	52.50	140.10
300	85.00	127.50	63.80	168.90
500	85.00	127.50	63.80	168.90

¹Benefits under the present law are limited to first \$3,600 annual income.

Benefits are not payable when: in any one or more months a worker under 75 years of age earns more than \$75 wages per month in covered employment; in self-employment, a worker under 75 has net earnings averaging more than \$75 per month; widow receiving benefits remarries. There are no limitations regarding wages or earnings from self-employment when a beneficiary is 75 or more years of age. Incomes from investments are not counted as earnings.

TABLE 2. CONTRIBUTIONS: OLD-AGE AND SURVIVORS INSURANCE PROGRAM¹

	1950-53	1954-59	1960-64	1965-69	1970
	<i>Percent of Earnings</i>				
Employee	1½	2	2½	3	3¼
Employer	1½	2	2½	3	3¼
Self-employed	2¼	3	3¾	4¼	4⅞

¹Tax is limited to first \$3,600.

How It Would Work with Farmers

Farmers' old-age and survivors insurance taxes would be based upon net earnings from self-employment which they report for federal income tax purposes; the rate is one and a half times the rate for workers.

The payments of a farmer with an average net income of \$2,400 and benefits after being in the program would be as follows:

Present annual payments	\$ 54.00
Maximum by 1970	117.00
Monthly retirement at 65	70.00
Monthly retirement for wife	35.00
Husband and wife	105.00
Widow and two children under 18	140.10