

*Retirement Income Opportunities in an Aging America: Income Levels and Adequacy.* By the Employee Benefit Research Institute. Washington, D.C.: Employee Benefit Research Institute, 1982. xii, 121 pp. \$10.00.

This monograph is the second in a series of studies sponsored by the Employee Benefit Research Institute (EBRI) on the theme "Retirement Income Opportunities in an Aging America." The first volume examined retirement income coverage and its expected evolution. This, the second volume, addresses income levels and adequacy. The third volume will concentrate on retirement program funding.

As stated in the introduction: "This report's purpose is to examine elderly income adequacy by analyzing recently released data on elderly income levels and sources. The report does not focus strictly on retirement income programs; instead, it examines all economic resources available to the elderly."

The volume is divided into three chapters. Chapter I is the most informative, offering a wealth of information on the amounts and sources of income received by the elderly. Chapter II is the most controversial. It evaluates these income amounts against various standards of income adequacy. Many readers will be struck by the use of various adjustments to income to heighten income adequacy rates. Chapter III discusses a number of policy issues. It is rather bland, reviewing several current issues but not squarely backing any one of them.

This is a study of income adequacy, and so the notion of income itself is one that merits serious attention. Within the last decade, researchers evaluating the effects of public programs on income distribution have rightly adopted a broad concept of income, including cash income as well as income from assets and income-in-kind. This study uses this broader measure and shows that the additional income sources are, in fact, important for the elderly: in 1979, Medicare benefits averaged \$1,200 per recipient and Medi-

caid benefits another \$800; and almost three-quarters of elderly families received income from family assets, reported to average around \$3,000 per recipient family. The report thus takes the view that the elderly are actually quite a bit better off than data on their cash income alone would suggest: "when the value of the elderly's in-kind benefits and assets are both included in the income definition, the percentage of elderly households with incomes below \$5,000 decreases from 32 percent to 17 percent." (p. 33).

I find the idea of using a full income measure at once appealing and disturbing. It is appealing because at issue is the adequacy of income, and it is right that all income sources be included. It is disturbing because I am not persuaded that asset incomes and in-kind benefits are included in appropriate ways. (This is a general criticism that goes beyond the particular volume under review.) In the EBRI study, the asset figures include the annuity values of wealth, which are derived largely from owner-occupied housing. Is this proper, since, as the report notes, many elderly are unable or unwilling to liquidate their homes and therefore do not realize this income potential? In-kind benefits from Medicare and Medicaid pose a different problem. Because the elderly are at much greater risk of poor health, they face much higher health costs than does the rest of the population; hence, a typical elderly person with an income equal to the poverty line has less discretionary income left after paying for health care than does a typical non-elderly person. It is inappropriate to add the imputed value of Medicare and Medicaid benefits to income without also recognizing that these benefits are not part of discretionary income. This is a significant gap in the EBRI study as well as in earlier studies of the value of government expenditures.

I was impressed that this volume explicitly states the terms for evaluating policy proposals. They are: (1) How do the proposals affect those who currently are the low-income elderly? (2) How do these proposals affect future retirees? (3) How effectively do the proposals assist the lowest income groups? (4) How will these proposals influence human behavior? I like these. I wish, though, that these criteria had been applied more uniformly to each of the policy issues addressed—changing spouses' benefits, shifting eligibility ages, adjusting benefit indexation formulas, implementing a Minimum Universal Pension System, tightening vesting requirements, integrating employer-provided pensions with social security, liberalizing individual retirement options, and modifying public assistance and in-kind benefit programs. Maybe EBRI's ongoing research project will offer more detailed answers.

The slant of this volume will not appeal to everyone. Consider the following: "During the last twenty years, the elderly's financial status has improved substantially. Today those who are over age 65 receive income from more sources and have greater financial independence than previous generations of elderly. . . . This report concludes that the elderly's income levels and sources will continue to improve during the next twenty years or more" (p. v). But what of the poverty that remains among the elderly, especially single individuals? What of the threat to real social security benefit levels? What of the erosion of unindexed private pension benefits by inflation? What of the omnipresent risk of a financially catastrophic illness or the need for nursing-home care, Medicare and Medicaid benefits notwithstanding? Yes, the elderly on the whole are better off, as the EBRI study tells us, but for large numbers of them, incomes are inadequate by any standard, and few have genuine financial security. The strength of this volume is that it offers enough facts and figures to support these less cheerful interpretations, too. The weakness is that the analytical foundations are vague and implicit.

*Gary S. Fields*

Professor  
New York State School of Industrial  
and Labor Relations  
Cornell University

Copyright of Industrial & Labor Relations Review is the property of Cornell University. The copyright in an individual article may be maintained by the author in certain cases. Content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.