Old Age in the Welfare State

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How older people fare in modern welfare states is a function of both welfare state size and the age bias that may (or may not) be found among different countries. Both the absolute magnitude of social welfare expenditures and the proportion of those consumed by the old are being vigorously contested today throughout the industrial world. Commentators on the right see social welfare expenditures as impeding economic growth and expenditures for the old as indebting future generations. Those on the left are more sanguine about welfare state size but do raise concerns about how the magnitude and embeddedness of old age benefits make difficult addressing a range of “new welfare state issues,” mainly ones affecting younger workers and families. Gerontologists focused on aging policy issues usually call attention to shortcomings to be found across a range of programs addressing vulnerable older people.

The books discussed here bring multiple lenses to these questions. Garfinkel, Rainwater, and Smeeding (GRS) take the broadest sweep, addressing the size and distribution of welfare state benefits, how the United States ranks along several such dimensions relative to other nations, and why it is that the United States organizes and distributes benefits in the manner that it does. Lynch addresses the age orientation of a mix of advanced welfare states, finding U.S. allocations very much skewed in the direction of the aged but also finding it in the company of a range of nations not usually clustered together. The approach of Wacker and Roberto the topic is more substantively than theoretically driven, presenting cross-national data across seven policy domains contrasting U.S. provision to a shifting array of other countries. GRS and Lynch shed new light on assessing the place of the old within welfare states and why the patterns fall as they may; Wacker and Roberto review approaches to how the United States and many other countries—including some emerging nations—take to a range of problems facing older people. Although readers will find some patterns and familiar explanations, they also will find intriguing and important deviations from what they often may have been led to believe.

*Wealth and Welfare States* is centrally about appropriately locating American social welfare policy among its welfare state neighbors. GRS bring both new lenses and new data to address the great chestnut of the welfare state literature, i.e., just how “late, low, and slow” is the American welfare state in cross-national terms. More conceptually, the question centers on the validity of Gosta Esping-Andersen’s (1990) “three (descending) worlds of welfare”—Scandinavian, Continental, and English speaking—and the United States’ frequent placement as the most restrictive among the third clustering. GRS find that this depiction is partially accurate if one chooses to examine only cash benefits through the welfare state, to measure post-transfer poverty levels using a relative rather...
than an absolute measure, and to see that the United States relies more on “safety nets” (means-tested benefits) and “platforms” (employer-provided benefits) rather than “floors” (universal benefit eligibility).

Importantly, however, if tax expenditures and employer-sponsored pension and health benefits are included, the size of the U.S. welfare state increases nearly 50%, passing those of the United Kingdom and Canada. Including education—usually omitted from social welfare discussions in the United States, but not elsewhere—increases the size of the U.S. welfare state by an additional 38%. As to how “low” the United States may be, GRS find it depends critically on the measure. Using a relative measure of poverty—percentage of families with incomes less than half of the median income—finds the U.S. poverty rate at 17%, whereas all the other nations except the United Kingdom fall below 10%. Yet, when applying the (absolute) U.S. official poverty to the 14 nations, the United States falls well within the range of most of the others. In short, when using welfare state transfers per person rather than transfers relative to national income, the picture changes quite dramatically. Behind this seeming contradiction lies the much higher degree of income inequality found in the United States.

Patterns of benefit distribution for the aged find elders faring relatively better than younger households in the United States but faring poorly in comparison to what the aged receive in other industrial nations. Cash transfers to seniors are four times what they are for families with children in the United States, but, not surprisingly, the market-based incomes of the latter are nearly three times what they are for older persons. However, net benefits for younger families decline because of taxes that are more than double what the average elderly household pays. Overall, GRS find that net benefits for elders are between three and four times those for younger families. Within the older population, evidence finds the American social insurance system mixing equity and adequacy concerns. Across elderly income quintiles, mean benefits are nearly equal and net benefits (after taxes) are also similar for all but the top quintile. Nonetheless, the proportion of overall income constituted by net welfare state benefits varies greatly by income class, constituting 78% for the lowest income quintile, through 71%, 58%, and 38% for the middle three groupings, and finally, to just 5% of income for the richest 20% of elder households.

The comparative data on welfare transfers to the old, nonetheless, find U.S. welfare state effort paling next to most other developed nations in both magnitude and progressivity. Using Luxembourg Income Study data, GRS find that American net social welfare transfers to the aged constitute 36% of total income, a ranking ahead of only Finland, whereas four nations provide over 70% of elder income through social welfare transfers, and the average contribution across all nations is 58% of total income. While present, the progressivity shown earlier across income quintiles for the United States falls short in international comparison. The 78/71/58/38/5 American cross quintile social welfare contribution contrasts notably with the international pattern of 95/89/78/61/18.

The broader contributions of the GRS volume lie in the extension of the welfare state discussion to include and calculate private sector, indirect, and in-kind benefits, creating a more inclusive and valid basis for making cross-national comparisons. The structural eligibility distinction among safety net, floor, and platform benefits is also compelling, finding the United States much more about platforms than floors and relying far more on safety nets than is the case elsewhere.

The latter chapters of Wealth and Welfare States expand the book’s focus considerably, moving toward explanation and invoking welfare state literature from across the social sciences. The authors seek to account for why the United States fell behind other nations in both public assistance and social insurance cash programs, why the United States until recently was an international leader in public education spending and outcomes, and why social mobility in the United States is no longer greater than found elsewhere. These being enormous topics that have been extensively explored by others leaves the reader less satisfied than do the earlier social spending and outcome discussions. Nonetheless, GRS should get full credit for their insistence that education be made part of the mix in discussions of the American welfare state. A particularly well-made point here is their tying Protestantism to a distaste for public relief and a strong commitment to the promotion of literacy. A later discussion about the “swing to the right” in the United States and elsewhere beginning in the 1970s, although somewhat speculative, puts forth the argument that near-term left and right political swings may affect spending inequality, but they argue that more fundamental cultural and historical factors limit these effects. Toward the book’s
end, the authors also raise the issue which has come to dominate welfare state studies in the new century, namely, whether factors of convergence—demographic trends, globalization, technology, and labor force needs—will overwhelm factors that have created historical divergence along the lines that Esping-Andersen and others have long posited.

Julia Lynch’s *Age in the Welfare State* addresses two questions central to the study of aging politics and policy, namely, (a) how well or poorly do older people fare in modern welfare states in comparison to other beneficiaries and (b) why is that the case. As do GRS, her calculations lead her to question earlier generalizations centered on welfare type, spending “effort,” and geography; nations often grouped together frequently fall apart in her calculations centered on the distribution of benefits across elders, working age adults, and children and families. As for the United States, Lynch finds what has been fairly widely assumed to be the case—that the United States devotes more resources to elderly people than it does to other social welfare constituencies, but elderly benefits are less generous in cross-national comparisons. However, her use of Organization for Economic Cooperation and Development and Luxembourg Income Study data make the arguments more definitively than treatments heretofore.

A series of tables capturing “elderly-oriented,” “worker-oriented,” and “child-oriented” direct expenditures calculated by gross domestic product (GDP) per capita across program sectors finds the United States in a middle tier for persons aged 65 years and older, at the bottom in the case of “active labor market policies,” near the bottom for occupational injuries, second from the bottom for families with children under age 15, and in the middle tier in the case of education. Two calculations are made for health care spending: “public-only” finds the United States heavily “age-biased” because of Medicare but more toward a middle ranking when private health care funding is included. Next, Lynch calculates a “global measure,” what she terms the Elderly/Non-elderly Spending Ratio (ENSR) contrasting benefits for persons aged 65 years and older or who are in retirement against all other public social expenditures. Here, spending for elders is divided by the number of persons in the population aged 65 years or older; spending for families with children and spending on active and passive labor market policy are divided by the population under age 65. Following Japan, the United States has the highest ENSR of 20 nations. In a separate calculation including spending for education, the United States ranks third. The picture changes little when tax expenditures are included, their bias being in the same direction due to favorable tax treatment of private pension contributions.

Lynch does uncover two interesting clusters missing from earlier welfare state research. First, she finds that size matters; larger welfare states tend to be less elderly oriented than smaller ones, though this finding is exaggerated by the strong outlier positions occupied by the United States and Japan. Second, in examining “decommodification”—the degree to which public social spending modifies market-based income distribution—she finds a mix across welfare state type and generosity. However, when she examines “who gets decommodified,” it turns out to be disproportionately the old. Thus, although one might expect class-based leftist actors to press for more egalitarian spending across populations, she suggests that “the Left has often preferred programs that are highly decommodifying for older citizens but not younger ones, especially when the alternative is a welfare state that is equally mean toward all” (p. 49).

Lynch next turns to explanatory factors that can be associated with these and other of her findings. She raises and largely dismisses gray power, familialism, and power resources theories. Shortcomings in the gray power argument are found in its assumptions that older people favor only old age spending and that spending preferences bubble up from citizens to politicians, when a considerable literature suggests that leaders have a powerful voice in shaping the preferences of citizens. In a similar vein, she does not find power resources approaches, based on working class and employer preferences, persuasive because abstract class-based interests are vitiating by other interests found in the immediate political and policy environment.

Lynch settles on a “path-dependent institutional” explanation, one centered on the primacy of the structure and organization of welfare state programs and how those ingredients at an early point in time shape and constrain subsequent political and policy activity. More specifically, she sees two historical junctures that continue to have relevance to allocational decisions today. One came with the original formation of welfare state regimes, into either citizenship-based or occupationally based schemes. Over time, she argues that the former became more youth oriented, whereas occupational systems “contain within them the seeds of elderly-oriented social spending” (p. 56). At a second point following World War II, some members
of the occupationalist group moved in a citizenship-based direction. This led to different forms of political competition, a more programmatic one for those moving toward citizenship criteria and a more particularistic one for those continuing to adhere more closely to occupationally based program structures. Her analysis of multi-nation spending patterns and lengthy case studies of the Netherlands and Italy in the book’s second half lead to her overall conclusion that “countries that have universal, citizenship-based provisions for old age, unemployment, and child rearing tend to be more youth-oriented” and that this is true “regardless of the overall size of the welfare state relative to GDP, regardless of whether programs are means tested or not, and regardless of whether the basic citizenship-based benefit is supplemented by a public occupationalist tier” (p. 56). It is the occupationalist welfare states—the United States, Italy, Greece, and Japan—that are the most elderly oriented.

In Lynch’s rendering, occupationalist welfare states are made up very much of insiders and outsiders, and over time older people in these nations emerge as an insider constituency who fare relatively well in comparison with other age groups. That the United States falls here and displays this tendency is not surprising. Programmatically, Social Security comes closer than any other American program to having “citizenship” characteristics, but it is heavily weighted in an occupational direction, and it is largely directed toward older people. Politically, the United States has always had more of an interest group than class-based politics, a reality captured by the particularistic and clientelistic label used by Lynch. In the United States and elsewhere, there is no denying that fragmented occupational program structures create advocacy and electoral opportunities for lobbyists and politicians. Yet, fully acknowledging this presence, Lynch returns to path dependency as the primary explanatory element, one where “sticky institutions” trump and then abet gray power and those associated with it.

Lynch emerges from her analysis far from pleased with the fate of those who fall beyond the boundaries of occupationally structured and particularistically practiced social policy. Her concluding comments may well give pause and generate great dissent within the gerontological community: “In settings where particularism prevails . . . benefits are concentrated on a relatively small group of privileged, aging insiders, while the growing mass of outsiders is left to fend for itself” (p. 184).

Wacker and Roberto’s Aging Social Policies is directed to a different audience than the books above and, as such, makes both a distinct and useful contribution. It is more programmatically than theoretically based and contrasts a range of aging programs in the United States with those found in an array of other nations. The book begins with a review of the worldwide demographic phenomenon of population aging, documenting patterns of declining fertility and increasing life expectancy in multiple countries. A basic policy process/analysis chapter follows, enumerating the institutions and actors involved in aging policy in both national and transnational settings. The middle chapters then set forth how the United States and a shifting set of other nations address aging-related social problems: work and retirement, employment, housing, health care, mental health, community support, and family caregiving.

Although there is unevenness across these chapters in the level of analysis, detail, and conclusions, each contains information about other nations’ approaches that should be of interest to the American reader. The retirement chapter nicely contrasts defined-benefit and defined-contribution plans cross-nationally, provides a brief review of Social Security, and presents brief reviews of how Canada, Sweden, and the Netherlands address work and retirement issues. The authors conclude not surprisingly that these nations “vary markedly” in their approaches. A contribution of the labor force chapter is bringing to readers’ attention “active labor force” provisions, that is, ones beyond receipt of simple unemployment benefit and an area where American policy is far less developed than elsewhere. Wacker and Roberto make a strong statement regarding the need for countries to encourage late-life work both for the good of older adults and for the good of labor markets faced with population aging.

The chapter addressing mental health issues stands out because very few social policy books address mental health at all and relatively few books directed to aging policy do so sufficiently. Not surprisingly, after reviewing the uneven place of mental health interventions in the United States, Great Britain, Spain, and Canada, the authors find “a universal ambivalence that appears to influence the development of policy, allocation of resources, and the establishment of services for management of mental health in late life” (p. 156). Despite
cross-national variations, they find that each of these countries faces a combination of ageism, stigma, and service deficiencies in their approach to mental health concerns.

In the context of the books under consideration here, a distinctive contribution of *Aging Social Policies* is seen in the chapters addressing community supports and services and family caregiving policies. In the larger scheme of welfare state design and spending, community support programs are difficult to tease out; they become a residual in OECD data until one breaks them out from health care spending; and they serve as minor elements in the GRS and Lynch treatments. Yet, in the world of gerontology and geriatrics, these are critical bridge services. In this regard, the authors provide a useful discussion of “general” versus “targeted” services, a conundrum that has long been at the heart of program choices for American “aging network” agencies but which clearly holds in other national settings as well. Although minor in nations’ overall budgetary pictures, these services, where well designed and implemented, can improve the quality of life of millions of older people whose vulnerabilities might otherwise find them in institutional settings. As well, they may lead to public expenditure savings when such more expensive service options (i.e., institutionalization) are avoided.

The authors give an extended treatment to family caregiving policies. They devote nearly eight pages to U.S. approaches, a discussion of greater length than ones directed to much larger policy arenas. They address leave policy, tax credits, home health and home care options, and programs administered publicly and privately, both proprietary and nonprofit. A set of cross-national tables comparing client services, services for caregivers, and financial support for caregivers is very revealing. And this chapter’s conclusion is more conceptually based than some found earlier. In contrasting caregiving initiatives in four countries, the authors find that in the United States and in Italy, access to these public services involves meeting income and physical need criteria, whereas in the more universally oriented English and Swedish cases, the service need alone is the gateway, with payment based on recipients’ income and the overall cost then shared by the government.

The book’s concluding chapter returns to big-picture questions about demographic trends and economic and political implications. Wacker and Roberto review well-known competing arguments as to whether population aging represents a crisis and conclude that introducing incremental policy changes over time is probably the wisest course, saying that “we have the ability to adjust and to adapt” (p. 251). They recap problems found in the discrete policy arenas addressed earlier and call for greater support for ongoing programs and new initiatives. More broadly, they would like to see the United States move aging policy in a more universalistic direction or, barring that, more heavily weighted toward social insurance and away from public assistance.

Although written in part for different audiences, these three volumes complement each other nicely, certainly to the gerontological audience. We learn a great deal about where the United States stands in the welfare state world, where older people in different countries find themselves in those worlds, and how different countries approach a series of problem areas central to the well-being of older adults.

On balance, the United States welfare state is smaller and less progressive than those found in most other nations. Yet, there are important variations across policy arenas and beneficiary populations. American cash benefits lag noticeably behind other nations, but health care spending is enormous in both absolute and relative terms, making inclusion of in-kind benefits critical to any cross-national comparisons. Including education also raises the American profile, though less so today than 50 or 100 years ago. As well, folding in private sector welfare spending elevates the United States position due to the substantial role of private pensions and employer-sponsored health insurance. Yet, despite the presumed importance of the family found in much political rhetoric in the United States, it falls behind a host of other nations in supporting family and community-based programs.

The American policy posture toward older people that emerges from these books is indeed a shade of gray. Aggregate spending is significant, but outcomes are suboptimal, and the politics and structures behind “the aging welfare state” emerge as exclusionary. Social Security is highly progressive by American standards but hardly so by international ones. In policy jargon, the United States is not “absolutely” inadequate, but it certainly is “relatively” inadequate. And, yet, if one subscribes to Julia Lynch’s analysis, older Americans (and older people in other occupationalist systems) are privileged insiders who become the principal recipients of benefits tied to employment and market-based incomes. Although Lynch sees long-standing institutional biases as behind this current reality, the specter of “gray power” and fear that “demography
IS destiny” hang over such discussions. Lynch’s finding that citizenship-based systems are more youth oriented—regardless of size—reinforces this impression.

Conceptually, the most interesting construct that emerges from these readings is GRS’ discussion of safety net, floor, and platform programs. Means-tested safety nets were the earliest programs, but in most nations, they were supplanted by floors, which provided minimum benefits but did so on a citizenship rather than on a demonstrable need basis. Only in the United States are floors not the predominant basis for benefits. In keeping with its private sector and occupationalist features, the American welfare state relies on platforms more than does any other nation. As seen by GRS, platforms can reduce poverty, but they tilt toward higher income households, and they do little to address social inclusion and income inequality. And, given the American political culture’s near-obsession with work disincentives, moral hazard, and “fostering dependency,” what are understood to be floors in most countries are more likely to be considered ceilings here.

Finally, and speaking again of political culture, GRS’ insistense on including education in the welfare state mix is highly instructive. Only in the United States, with its prevailing individualistic and bootstrap belief system, would education be routinely excluded from welfare state discussions (and from all social welfare policy books that the reviewer is familiar with).

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Reference

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