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Raison d'etre for Social Security for Senior Citizens : A Critique of Davis and Oever*

PROVISION of various services for the aged, like old age pensions, medical care, housing, recreation, etc., form an important part of the Social security programmes of the modern welfare states. Such welfare services for the aged exist in many advanced nations. In the less developed countries (LDCs) including India, there is no universal social security worth the name against even common risks of life such as unemployment, accident, disablement, infirmity, sickness, etc.; much less, therefore, can one expect social security for the aged. The reason often cited for this deficiency is that tremendous costs are involved in such programmes. This sounds apparantly true. However, the basic cause is the continuing feudal-cum-capitalist structures and attitudes, which make any progress towards social security schemes, including old age benefits, extremely difficult in the LDCs.

Beliefs and Assertions Regarding Old Age Security Schemes

There seems to be a universal belief that security for the senior citizens of a community can be justified only on humanitarian grounds and that there is no strictly positivist economic justification for it. This is evident in many ways. First, in the public image, old age assistance is looked down upon as charity, dole or philanthrophy. Secondly, in the context of the market economies of thecapi-

*Kingsley **Davis** and Pietronella van den Oever : Age Relations and Public Policy in Industrial Societies, *Population and Development Review* Vol. 7, No. 1 March 1981.

talist world, incomes are related to work and productivity. Consequently, it is argued that the retired old persons who do not work can not have a legitimate claim to income generated by others within the community. Thirdly, the meagreness of security benefits for the aged introduced during the pre-Second World War period in countries like England created an impression that the old were *"Tolerated"* by the community, perhaps because they could not be done away with. Next, in the extreme philosophy of individualism, the individual alone is regarded as the architect of his fortunes or misfortunes. Society does not presumably bear any responsibility for such socio-economic changes as urbanization which lead to break-up of the family ties and the isolation of the parents from their earning children during old age.

Recently, the argument has taken a new turn. It is asserted that in the rapidly aging populations of the industrial societies, social security for the aged who do not do any productive work has increased enormously the *"burden"* on the young. Hence, the justification as well as the wisdom of the prevailing policies aimed at strengthening or enhancing the economic support for the aged are being questioned. For example, Kingsley Davis and Pietronella van den Oever (1981) in a paper entitled "Age Relations and Public Policy in Industrial Societies" have come to the conclusion: "Thus, in the future, the emphasis on policy may shift from the needs and requirements of the non-working elderly to those of younger workers...If they (younger workers) are now being *squeezed* by the *burden* of the older population, it is neither *fair* nor *productive",* (emphasis added).

This paper challenges this and the like assertions. In particular, it challenges the basic point implied in such arguments and beliefs that the economic support for the aged is not justified according to strict cannons of positive economics, and hence, if and when old age security payments constitute a strain on the societal income, they can be lowered to suit the requirements of the productive age-group in the economy. After all, consumption by the aged has no counterpart, output produced by them do not match their requirements. This paper argues that even strictly rational economic considerations fully justify social security for the aged as a matter of right or legitimate claim, as much as a young worker has a claim on his wages or salary. (The question of actual quantum of payments to specific individuals among the elderly is a matter of detail and is not dealt with here). An analysis of this problem is necessary because the arguments against maintaining the present levels of payments to the elderly or enhancing them, coming from western scholars can be used by vested interests, in government or outside, in the less developed countries (LDSs) to nip in the bud any attempt to introduce pertinent social security scheme, including those for the elderly.

The Life-cycle Approach

The problem concerning the justification can be approached from two angles: (1) the macro and (2) the micro. This paper focuses attention mainly on the micro approach and attempts to formulate a justification for old age support by studying the economic implications of the life cycle of a *typical* individual. This atomistic analysis can then be universalized by applying it to a cohort of individuals or successive cohorts representing, what we may call, a generation (without involving any serious problems of aggregation).

Before we develop our argument, it is necessary to delineate in some detail the various economic aspects of the life-cycle. The life cycle of an average individual can be typically divided from a purely economic point of view into three phases in terms of age-groups viz. (1) 0-14, (2) 14-60, and (3) 60 and over. Before we analyse the economic implications of this phasing, it needs to be noted that a human being, unlike other production inputs, represents an entity which both consumes and produces goods and services. He consumes perpetually i.e. during all the time from the cradle to the grave. However, he contributes to production only during a specific phase during his life time, usually age 14-60. It is this particular fact which creates fundamentally the problem or justification, on purely economic grounds, for the welfare measures to cover the retired life which represents consumption without its *quid pro quo* in terms of production.

During the first phase of the life cycle of an individual (i.e. for the first 14 years), parents (and/or in part the community) spend resources for this individual in the form of upbringing, nourishment, medical care and education. This represents the parental investment in human capital. Thus, 0-14 age span can be taken as the process of human capital formation, whose gestation period is 14 years. If the human race, as an economic organism, is to go on, this investment in human capital is imperative, and there is no escape from it, irrespective of the socio-economic system and the stage of its development.

When an individual enters the labour force at the age of 14, the second phase of the life cycle begins. During this phase, the human capital formed over age 0-14 in the form of productivity, skills, knowledge, etc., of the individual concerned begins to yield returns. He produces output and/or renders services, contributing to the societal income, while at the same time continuing to use part of the societal income, as his own consumption. During this phase, he also procreates children, usually as per the age-specific fertility rates prevailing during his life-time. This procreation ensures formation of human capital to replace him, thus ensuring the continuation of the society he belongs to as an economic organisation.

All in all, during the second phase, an individual produces a real income which goes *at least* to two channels: *(a)* to his own consumption and *(b)* to investment in human capital formation represented by upbringing of his children 0-14. Thus, he performs at least a triple economic function: he consumes, he produces and he invests (in children). (If possible, he may also invest in non-human capital. For simplicity, we presume no idle savings.)

The third phase (age 60 +) is a peculiar one. During this phase, individual remains a consumer, though his consumption pattern is different from the one enjoyed by him in either of the earlier two phases. From the point of view of production, however, be becomes a dead capital—not yielding any returns whatsoever. Nor does he perform the function of investing in new human capital formation, for normally his reproductive period is over and that he has no contribution to production of income of his own for such investment either. This phase along with its characteristic of non-productive activity is inevitable biologically as well as socially; biologically, because his physical and mental powers might have faded away so as to render him economically unproductive, and socially, because he has to withdraw from the labour force often by retirement rules to give opportunity to the young (though this rarely happens in Politics—in Indian politics at least, where human aging, like aging of wine or pickles, is supposed to gain in value !).

This peculiar characteristic of the aged *vis-a-vis the* characteristics of the non-adults (0-14) and the young (14-60) can lead a positive economist to argue that there is no economic justification for any economic support for the aged in terms of old age pensions, free medical care, housing or other welfare measures. For, if such economic support is given to the aged, the opportunity cost is the income loss for the young and/or less investment on children. If, therefore, any support is given to the aged, it is a concession on non-economic grounds, not a right or claim which can have a rational economic justification.

Economics of the Life Cycle

This paper argues, on the other hand that a close examination of the economics of the life-cycle would provide a perfectly valid economic justification for old age Support. Against the background of the characteristic of life-cycle, the grounds for this argument can now be articulated in definitive terms as follows:

First, the most fundamental question that arises is whether an individual produces income and/or services during his productive phase (14-60), which are more, equal to or less than that which he consumes over his entire life time (age 0 +). The history of civilization indicates that he *surely* produces much more than what he consumes. The best proof of this micro proposition can be found in an indisputable macro phenomenon. This phenomenon consists of the continued secular trend of progress of human civilization from the earliest hunting stage through the pastoral, agricultural, commercial, techno-industrial and the latest stage characterized by the revolution in space-travel, electronics and cybernetics. It is possible to give easily quantitative evidence for this long-term trend. However, the trend is too obvious and clear. Nevertheless, the major indicators of this macro phenomena may be mentioned for clarification. For one thing, the total and per capita real incomes of humanity as a whole and of some western countries in particular have increased through history especially since the Industrial Revolution in England. Secondly, considering the progress of capital formation, technological break throughs and advances in scientific knowledge, there is little doubt that an individual has left much more for his successors than what he has taken for himself, so as to lift civilization to higher levels. Continuation of the human race as a civilization and its progress through history is itself an irrefutable evidence of the fact that an individual's lifetime production must have far exceeded his consumption. Of course, work of geniuses like Newton, Einstein, etc., or nobel laurettes or intellectuals of that ability must have contributed towards the advancement of civilization much more than ordinary individuals. However, contributions of scores of workers in scientific, technological or social research or even of ordinary factory workers who contribute to innovations (like process or technical innovations) bit by bit cannot be neglected. The point is that every generation has left behind it much more than what it took for itself, so as to lead to the progress of the human race on almost all fronts. If an individual produces more than what he needs in terms of consumption over his life time, there is no reason why the community should not make definitive and secure arrangements for the sustainence of his non-productive years during his old age.

The main economic argument against provision of support for the aged is that such support represents non-work income and therefore a drain (or burden, to use Davis' term) on resources without its counterpart-replenishment by the beneficiaries. This argument could have been valid, if man would have born to work immediately. However, this is not so. For the first fourteen years, he has to be brought up in such a way so as to make him productive. This work has been done by the parents since times immemorial. Even though in advanced countries, part of the care of the children might have been taken over by the society or its representative institutions (e.g. Government, industrial establishments, etc. in the form of creches, free education, etc.), in the case of the majority of mankind constituted by developing traditional societies of today, upbringing of children still remains the responsibility of parents. The parents have to invest their time, energies and resources for the upbringing, medical care and education and training of their children. The parents, therefore, have a *rational* claim to returns on this investment made on the growth of their children into productive workers; it is this return they can claim in their time of need in old age.

Opportunity cost of investment in children is investment in income-yielding capital assets which can give security in old age. The unique characteristic about parental upbringing of their children lies in the fact that it is done with great care and love whose quantification in monetary terms is, and can, never be made. This investment can be done also at the societal level by the State or its representative agencies. However, the quality of such investment by any such agency, however, altruistic or missionary its zeal, can never equal that of the parents. The point is that one who invests has every legitimate entitlement to returns. The parents would desire returns at a time when they cannot work, in old age.

The economic aspect of the investment in children and the economic justification for returns on such investment gets blurred because this investment is done by persons who do not look upon this as an economic investment but as a natural filial responsibility arising out of bonds of love with children, i.e. by parents rather than by an outside investing agency. In family-oriented traditional societies such as that of India, care of old parents by their earning children is also looked upon as a natural responsibility arising out of the same bonds of reciprocal love and is built into its very culture. This mutual give and take has been sustained over generations, principally because it has full, though only implicit, economic justification.

It may be argued that in a large majority of specific cases, an individual may not be producing more during his life time than what he consumes so as to sustain his claim for old age support. While in some cases this may be true, the various theories of surplus value from Ricardo to Marx have shown that the phenomenon of poverty, destitution or starvation is largely the result of exploitation and inequalities, characteristic of non-egalitarian social organizations. It is the expropriation of the surplus production during life-time of the labour force by a few on account of their exploitative power, based on their ownership of means of production as well as on political power, etc., which gives the impression of old age support given by the State as dole rather than a legitimate claim in such societies. In the context of egalitarian social organizations such as the Gandhian, Socialistic, etc. old age security would be looked upon as rationally just and legitimate.

So far, purely economic aspects concerning the economic justification for the old age security have been dealt with. However, there are some aspects of old age support which may yield indirect demographic and social gains. This is particularly true in the case of countries which desire to bring down birth rates with a view to arresting population growth. Empirical surveys in the LDCs have shown that people have 'pension motive' in having *many* children, especially sons. In a country like India, there is almost no social security in the form of insurance against the various risks of life, for the majority of the poor people, especially in the unorganized sectors of the economy. Under such circumstances, children—and a large number of children, coupled with the institution of joint family alone serve as insurance and security for them. If all persons above 60 are guaranteed pensions, one of the strongest motives for having too *many* children would be removed, leading to low fertility, low birth rates and low population growth. Thus, old age support would achieve a double gain—a step towards an egalitarian society and reduction in population growth.

Conclusions

To sum up, this paper rejects the contention that old age support is rationally an unjustifiable claim and a 'burden' on the young, and that, therefore, the emphasis of policy should shift from the needs of the old to the requirements of the young. It has shown that even strictly positivist economic considerations provide a valid economic justification for the support of the aged. The crux of the problem is whether an individual during his life cycle produces more than what he consumes during his entire life time including his old age (whole or part of which may be entirely unproductive). The answer is that certainly he does so. This has both logical as well as empirical support. The very progress of civilization in terms of rising real incomes, accumulation and deepening of capital, and technological and scientific advances show that this could not have been achieved without human beings producing more during their life span than what they consumed, leading to real savings and investment. Secondly, parents in most societies have been and still continue to be the principal agencies through which investment in human capital (children) is made for which they (parents) have a legitimate claim on returns during their times of need. Thirdly, theories of surplus value have shown that those who toil get less than what they produce, due to particular property-relation obtaining in certain social systems like feudalism or capitalism. Fourthly, provision of old age security may bring about indirect demographic and social gains such as equitable distribution over ages, reducing the 'class struggle' between generations, reduction in fertility and population growth, etc.

Beyond Economics

These are the economic arguments providing a rational justification. However, human being or society is not just economics. He or she is also moved by altruistic, moral, humanitarian and spiritual considerations. To add a personal note, academics may argue between themselves endlessly and ad nauseam, but human being remains the most precious of creations. The testimony of its preciousness lies in the tenderness and generosity with which he cares for his unfortunate brethern—whether disabled, the sick or the aged—; and one should remember that to this unfortunate state, every one of us is thrown some time or the other during one's life-cycle.