one's losses. It is less likely that older people in kibbutzim than in society at large will start a new life somewhere else.

Implications for Other Countries

These findings stimulated considerable discussion amongst the largely American audience. A basic theme constantly repeated was how relevant are the lessons of aging on kibbutzim for a capitalist, diversified, and heterogeneous society as is the United States, a society in which the sense of community is considerably weaker. This leads to a situation where the sense of responsibility for the well-being of others is more attenuated than on kibbutzim. The caring function is poorly rewarded in the U.S. and in other countries; personal social services, whether performed by family members or paid personnel, is given little public recognition, status or material compensation.

And like other industrialized countries, the work ethic among older persons is nowhere as strong in the U.S. as is the case among kibbutzim. The separation of work from one's residence, the fact that one usually is working for an employer rather than for one's own collective, and the lack of control experienced by workers in arranging for flexible work opportunities were all identified as critical factors making it difficult to apply the kibbutz experience.

Yet, there was also recognition of lessons that do have relevance. As one participant remarked: "*Kibbutzim support older people's strengths. There's much that we can do to obtain the same result.*" For example, in the U.S. not much thought has been given to supporting the integrity of relatively homogeneous communities which are in a better position to support their older members than are "melting pot" communities. Perhaps a new sense of community can also be found in age-segregated settings such as housing for the elderly and retirement communities, which are expanding everywhere.

The kibbutzim's experience with regard to older persons' employment, particularly, may prove to be relevant to industrialized society as recognition grows of the need to retain older persons in the labor force. The U.S. and other countries will then need to reexamine existing barriers to older persons' employment and find the best means for introducing more flexibility into the workplace. It is perhaps here that the kibbutz experience will prove most applicable.

Another issue worthy of closer examination is the extent to which in industrialized countries non-reimbursed activity, such as volunteer work, serves a similar role to work in contributing to older persons' life satisfaction. If so, what obstacles exist to fuller participation?

And finally, the experience of aging on kibbutzim is certainly very instructive on the important role played by social interaction in human well-being, whether in work or non-work environments. Efforts to ward off isolation, including structured opportunities for interaction with age peers and others, need strengthening.

(reported by Charlotte Nusberg)

For those interested in learning more about kibbutzim and similar "utopias", an international conference, *UTOPIA, Imagination and Reality,* will be held January 2-7, 1990 in Israel. (*Sponsors:* University of Haifa and the Oranim School of Education of the Kibbutz Movement) For more information, *contact:* Professor Avraham Yassour, Harvard University Project for Kibbutz Studies, Center for Jewish Studies, 129 Vanserg Hall, 10 Divinity Ave., Cambridge, MA 02138, U.S.A.

Conference Report:

Maintaining Independence and Privacy Through Home Equity Conversion

"House rich, cash poor" describes many elderly persons in industrialized countries who own the homes they live in. Usually, their lifetime savings are in the form of home equity. Many have become impoverished on fixed incomes that have been overtaken by inflation. In the United States, for example, nearly one-quarter of all elderly homeowners living below the "poverty line" have at least $50,000 tied up in home equity. They can convert their equity into needed cash only by selling their homes and moving out of familiar environments, usually away from friends and relatives. Often, they must also give up a significant measure of privacy and independence. A forced choice between poverty and relocating runs against the current policy of encouraging older persons to live in their own homes for as long as possible.

The increasing interest in various forms of home equity conversion (HEC), therefore, is not surprising. It was the subject most recently of an international conference sponsored by the American Association of Retired Persons (AARP) September 7-8, 1988, in Washington D.C. Reverse mortages, a popular form of home equity conversion, served as the primary focus of discussion, with models presented from the U.S., Canada, Japan and the United Kingdom.

How does home equity conversion differ from the more commonly available home equity loans? The key features of HEC are 1) regular income from the loan that is secured by home equity; 2) freedom from eviction; 3) deferred repayment of the loan and interest; and 4) income not a criterion for eligibility. Lenders can be either private institutions or governmental bodies. By contrast, the

Meanwhile, down under . . .

Australians, too, are introducing home equity conversion (HEC) in a market where more than two-thirds of persons 65 and older live in owner-occupied homes. As elsewhere, most of the developments have taken place in the private sector. Early efforts failed, not because of lack of interest, but for administrative reasons. Now, at least two financial institutions offer an array of both and sales and loan programs. Under one of the reverse mortgage arrangements, the borrower uses a substantial part of the loan to purchase an annuity—in part to meet interest requirements. In another arrangement, regular payments are offered to the borrower under a five-year mortgage agreement, which can then be renegotiated on the basis of the appreciation in the property's value.

Government also provides other forms of income assistance which, in some ways, parallel the reverse mortgage structure because payment of principal is deferred until death or sale of the home. For example, the state of Victoria and the Commonwealth Government offer means-tested home renovation loans with deferred payment of principal. The Commonwealth also offers "pension loans" at simple interest to elderly homeowners who are ineligible for a pension or whose pension and retirement income is reduced to an unacceptably low level because of the assets test. Again, the payment of the loan is deferred. Finally, some local governments defer property taxes until death or sale of the home.

The development of HEC plans in Australia has been slow for reasons comparable to those experienced by other countries. Major questions remain unanswered about the impact of HEC on pension entitlements or tax liabilities. Government agencies have not established clear policy in this area, preferring to treat HEC plans on a case-by-case basis as they come up for approval. A problem which may be more limited to Australia than some other countries is fluctuation in both directions of residential property values, which could jeopardize potential lenders' investment. However, the *Australian Council on the Ageing (ACOTA)* believes that:

> *. . . continued marketing and exposure could dramatically increase the uptake of plans in the future as older people become more familiar with them and their economic position becomes less liquid due to the rising cost of day-to-day living.*

In addition to setting clear national policy for HEC and clarifying pension and tax implications, the ACOTA urges the establishment of a national information clearinghouse on the subject, increasing public sector involvement to meet the needs of the less affluent, and creating the necessary regulatory authority to protect the parties to HEC agreements. (Pamela Wilson, *Converting Home Equity to Retirement Income,* Melbourne: Australian Council on the Ageing, 1988)

consumer obtaining a home equity loan receives a lump sum and then must pay back the loan in regular installments as soon as he or she receives the loan.

Under the reverse mortgage arrangement, the lending institution agrees to pay a fixed monthly sum or periodic lump sums to the elderly borrower for as long as he or she resides at home. The loan is secured by some proportion of the equity, often limited to no more than 80% of the market value of the home. When the mortgage ends—often on the homeowner's death, the lender recovers the loan plus interest from the sale of the home. Sales proceeds in excess of this amount pass to the owner or the heirs. Since consumers do not have to make monthly payments, they cannot default on a home equity conversion loan.

The timing and amount of benefits differ according to the specific plan. Some provide monthly benefits for a fixed number of years; others for as long as one remains living at home. Still others offer cash that can be used for specific purposes such as paying property taxes or making home repairs. Monthly payments may remain the same or increase each year. Consumers may be permitted to take out a large lump sum of cash or to make irregular withdrawals.

HEC instruments are ideal for persons who are "house rich" but not eligible for other forms of loan. One American study has shown that three-quarters of poor, single or widowed homeowners aged 75 or older could be removed from poverty if they took advantage of HEC. The monies can be used for long-term care, home remodeling or even such "luxuries" as travel, new furnishings or automobile replacement.

In France, the concept of HEC is at least several hundred years old, but it is essentially a sale plan between private parties in which transfer of legal ownership forms part of the transaction. In the United Kingdom, Canada and the United States, the history of HEC is much shorter. Following a small beginning in 1961, forty institutions in 17 states now offer HEC in the U.S. The number of loans made since 1980—i.e., about 2000—remains small, however. "Home income plans," many based on the reverse mortgage concept, began to be used in the U.K. in 1972. About 30,000 agreements have been entered into since that time. They are largely offered by building societies, insurance companies and private firms, with a few local authorities offering some plans. The U.K.'s success is credited to program flexibility, ease of understanding by the borrower, and favorable tax policies. In Canada, HEC programs are just getting under way through private lenders, and in Japan, the local government of one Tokyo suburb—Musashino—offers HEC loans to older residents to be used for the purchase of city-provided long-term care services.

HEC has been slow to spread for several reasons. The instrument remains novel for many homeowners and there is a general lack of public understanding of the risks and benefits involved. For example, a borrower is at risk if the lender is unable to keep up the monthly payments or if the value of the fixed income is eroded by inflation. The lender, in turn, is at risk if the borrower fails to maintain the home in good repair. For older persons receiving various income-based benefits, such as food stamp and welfare programs, the income generated by HEC may make them ineligible for these programs.

Even with a good understanding of the concept potential borrowers may be reluctant to go into debt again at this stage in their lives or prefer not to dilute the estate their heirs will receive. The latter seems to be a strong inhibiting factor in Japan to further expanding the HEC concept. (So far there have been only 60 takers of the Musashino plan.) Private sector lenders are uncertain about the size of the potential market and uncomfortable about their lack of experience with HEC's risks. Even in the U.K., where HEC seems well-established, it comprises only about 1% of the leading lender's business.

The public and private sectors are now beginning to cooperate to increase the availability of HEC and address some of the concerns mentioned. In the U.S., the Federal Government has agreed to pay the costs of insuring 2,500 additional reverse mortgage agreements, and, in Canada, similar arrangements have been made by private life insurance companies. In the U.S., a few large lenders are entering the market for the first time and this is expected to encourage others to follow. Some state governments are even starting to sponsor lending programs.

Two national information clearinghouses have also been established in the U.S. to address HEC concerns. One center addresses consumer issues; the second, lender questions. In a number of jurisdictions, laws require that older persons receive formal, individual counseling about risks and alternatives before entering into HEC agreements.
(reported by Rafe Ronkin)

Research Study:

The Persistence of Inequality Beyond Retirement Age

Policy-makers in recent years have put considerable energy into eliminating all traces of discrimination in social security systems particularly as they affect gender—in order to assure equality of access for everyone. No one, however, has been willing to examine the substantial inequalities in income, health and life expectancy outcomes experienced by different groups of retirees within the same country. This is still considered well beyond the purview of social security.

Poverty in old age persists even for those with relatively unbroken work histories, and life expectancy for blue collar workers has been shown in a number of studies to be from four to fifteen years less than for white collar workers. In France, for example, where death rates have generally decreased over the past 20 years, the differential in death rates between the two extreme socio-occupational classes has actually increased. The most favored are professors (7% die between 35-60 years of age), followed by engineers, teachers, supervisory personnel and persons in other liberal professions (10%). The least favored are blue collar workers (25% of whom die between 35 and 60).

The influence of work and, particularly, former socio-occupational status, are key explanatory factors for those differentials, although how work influences health and the aging process is not precisely known. Several recent studies from Quebec, Canada, France, and Finland shed some new light on the extent of the differentials in income and health status and the reasons for them.

Differentials in Retirement Income and Life Expectancy in Montreal

Hélène David and *Michel Bigaouette*, researchers at the *Institut de recherche appliquée sur le travail* in Montreal, found that the Montreal government's retirement plan is considerably less advantageous for blue than for white collar workers despite relatively generous provisions and equal access. Blue collar workers receive as much as a 50% lower pension, spend less time in retirement and die at an earlier age. Blue collar workers are also more likely to be forced to retire early (75% compared to 41% for white collar workers) either because of deemed inability to work (35% compared to 14% for white collar workers) or because they have reached the mandatory retirement age (40% compared to 27% for white collar workers). These findings are based on a study of 2000 workers who took their retirement between 1973 and 1983.

The reasons for these discrepancies are several. Reduced retirement income is accounted for largely by the lesser years in service experienced by blue collar workers. Typically, they did not obtain permanent positions with the Montreal government until a later age as a reult of spending longer years as apprentices and because of other labor market circumstances. In addition, many more are forced into early retirement for health reasons and the inability of their