

# Money Income Position of the Aged, 1948 to 1955

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*The economic needs of the aged in the United States present a serious and continuing challenge to the Nation. The magnitude of the problem should not, however, overshadow the significance of recent gains in their economic security. There has been a striking increase in both the number and the proportion who can count on insurance benefits to replace a portion of earnings after retirement, as well as a substantial rise in benefit payments under the major social insurance programs. Most workers who retired during the past few years have been able to continue to maintain independent living arrangements.*

FROM June 1948 to June 1955 the relative number of aged persons with no money income<sup>1</sup> from employment or a public income-maintenance program, including public assistance, dropped from about 3 in 10 of the aged population to about 1 in 9. The number with money income from employment or a social insurance program increased from one-half in 1948 to three-fourths in 1955. Average monthly payments to retired-worker beneficiaries of old-age and survivors insurance more than doubled during the same period, as the 1950 and subsequent amendments to the Social Security Act corrected for the serious lag in the purchasing power of the

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<sup>1</sup> Money income is defined (by the Bureau of the Census) to include wages or salary before deductions; net earnings from self-employment; and other money income such as interest, dividends, net rents, royalties, or receipts from roomers or boarders; periodic income from insurance policies, estates, or trust funds; benefit payments under social insurance and related programs; public assistance; Armed Forces allotments for dependents; private group pensions and other benefit payments under private auspices; assistance from voluntary agencies; alimony; and contributions for support from friends and relatives who are not members of the household.

Receipts from the following sources are not included as money income: money received from the sale of property, withdrawals of bank deposits, money borrowed, tax refunds, gifts, and lump-sum inheritances or insurance payments. Income in kind, such as homegrown or contributed food, clothing gifts, and "free" shelter, is, of course, excluded.

benefits during the 1940's. The proportion of persons aged 65 and over with no cash income or less than \$1,000 dropped from about three-fourths in 1948 to two-thirds in 1954, and there was an upward shift in income within this group, according to the sample surveys made for those years by the Bureau of the Census.<sup>2</sup>

A considerable proportion of the aged persons with money income of less than \$1,000 in 1954 were old-age and survivors insurance beneficiaries or recipients of public assistance. A continuing decline in the proportion of aged persons primarily dependent on public assistance and a significant increase in the proportion eligible for the insurance benefits are anticipated for the years ahead. These changes

<sup>2</sup> The year 1948 is a useful reference point from which to measure changes for two reasons: It was not characterized by excessively high labor demand and other conditions peculiar to the war period, and there is a large volume of detailed data for that year assembled by the staff of the Subcommittee on Low-Income Families of the Joint Committee on the Economic Report (81st and 84th Congresses).

See also the following *Bulletin* articles: "Money Income Sources of Persons Aged 65 and over, June 1955," December 1955; Lenore A. Epstein, "Economic Resources of Persons aged 65 and Over," June 1955; and Jacob Fisher, "Income of Aged Persons, 1948," July 1951. Fisher provides a rough picture of the Census income distribution for 1948 as it might be modified upward on the basis of income-tax and other data. His adjusted estimates are not used in this article because the primary emphasis here is on the change between 1948 and 1954, and the income-tax statistics from which a comparable adjustment for the later year might be developed are not available.

will be accompanied, moreover, by a steady rise in old-age and survivors insurance benefit payments, as the program matures and new awards are based on higher average earnings.

## Sources of Income

From June 1948 to June 1955 there was an increase from slightly more than half to about three-fourths in the proportion of aged persons in the continental United States with income from employment or social insurance programs (table 1). The enormous expansion of the old-age and survivors insurance rolls is primarily responsible. While the aged population increased 22 percent during this 7-year period, the number of aged beneficiaries of old-age and survivors insurance quadrupled, the number of beneficiaries of related programs went up more than 50 percent, and the number of persons with earned income increased only 5 percent (chart 1).

The number of beneficiaries of old-age and survivors insurance has increased so much more than the number of beneficiaries of other programs largely because of the expansion of coverage in 1950 and the accompanying liberalization in the eligibility provisions. There was a particularly sharp rise in the number of women who were able to retire and receive benefits based on their own wage records. The number of women receiving old-age benefits increased eight-fold (from less than 140,000 in June 1948 to 1,100,000 in June 1955), while the number receiving benefits as wives or widows of retired workers more than tripled (from about 490,000 to about 1,680,000). The number of men on the old-age and survivors insurance rolls also more than tripled (from about 830,000 to 3,080,000) during the 7 years.

One factor contributing to the small increase in the number with earned income was the aging of the population aged 65 and over. From mid-1948 to mid-1955, the proportion

**Table 1.—Number and percentage distribution of persons aged 65 and over, by source of money income,<sup>1</sup> June 1948 and June 1955**

(Continental United States)

Classification	Number (in thousands)		Percentage change, 1955 from 1948	Percentage distribution <sup>2</sup>	
	1948	1955		1948	1955
Total, aged 65 and over.....	11,550	14,100	+22	100.0	100.0
Persons with earnings and/or social insurance benefits. Earners and earners' wives not themselves employed.	5,900	10,560	+79	51.2	74.6
Old-age and survivors insurance beneficiaries.....	3,850	4,050	+5	33.4	28.6
Not receiving old-age assistance.....	1,450	5,850	+303	12.6	41.4
Receiving old-age assistance.....	1,300	5,350	+312	11.4	38.0
Beneficiaries of other social insurance programs, <sup>3</sup> not receiving old-age and survivors insurance benefits	150	300	+233	1.2	3.4
Less: Persons with both earnings and social insurance benefits.....	850	1,350	+59	7.5	9.7
Public assistance recipients not receiving social insurance benefits.....	270	700	+180	2.3	5.1
Persons with no money income or income solely from other sources.....	2,250	2,050	-9	19.5	14.4
	3,400	1,550	-54	29.3	11.0

<sup>1</sup> Persons with income from sources specified may also have received money income from other sources, such as returns on investments, private pensions or annuities, or cash contributions from relatives.

<sup>2</sup> Calculated from rounded estimates.

<sup>3</sup> Railroad retirement, government employee retirement, and veterans' compensation and pension

programs; includes beneficiaries' wives not in direct receipt of benefits.

Source: Estimated in the Division of Research and Statistics on the basis of published and unpublished data from the Bureau of the Census and agencies administering income-maintenance programs.

of the aged population aged 80 and over increased from 13.6 percent to 15.2 percent, while the proportion under age 70 dropped from 41.0 percent to 38.0 percent. The annual average labor-force participation rates for men aged 65 and over dropped steadily from 47 percent in 1948 to less than 40 percent in 1955. Rates for women, on the other hand, fluctuated from 9 percent to 10 percent during this period, reaching a maximum of 10.6 percent in 1955. For women the effect of the aging of the population 65 years old and over has been offset by the steady increase in the proportion who have had work experience when they reach age 65.

Earnings have characteristically been the primary source of income for those with employment. Part-time work is common, however, among the aged. According to a special survey made by the Bureau of the Census<sup>3</sup> covering persons at work in nonagricultural industries during the 6-month period May-October 1955, almost one-fifth of the men aged 65 and over and more than one-third of the aged women at work were usually on a part-time schedule—less than 35 hours a week. An additional 4-5 percent who usually work full time

worked part time during the survey week.

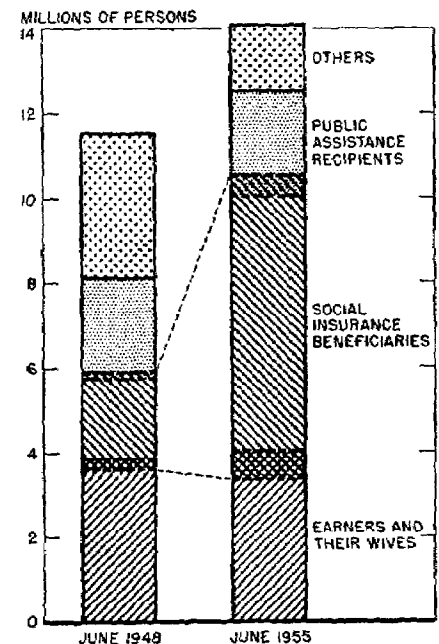
Perhaps more significant in terms of annual income is the fact that many of the aged who are in the labor force are in and out of jobs. Of the men aged 65 and over in January 1955 who reported in another Bureau of the Census survey<sup>4</sup> that they had worked at some time in 1954, more than one-fifth worked less than 26 weeks and only three-fifths worked 50 weeks or more, either part time or full time. Similar data are not available for 1948. It may be inferred, however, that part-year employment was less common then because the number of men who worked for pay or profit some time during 1948 was 17 percent larger than the number employed in December of that year, while the number who worked some time during 1954 was 26 percent larger than the number employed at the end of the year. The corresponding ratios for women are 21 percent for 1948 and 42 percent for 1954.

In June 1948 there were some 5.6 million aged persons without any income from employment or social insurance programs. About 40 percent of them received public assistance, and 60 percent had no money income

(and thus were dependent on relatives) or had income solely from interest, dividends, rents, private individual or group annuities, or in the form of cash contributions from relatives or friends. By mid-1955, the total number of persons without income from employment or social insurance had dropped to about 3.6 million. Those receiving public assistance—in absolute numbers slightly fewer than in 1948—accounted for almost 60 percent of the 3.6 million. Of the total aged population, the relative number without income from employment or a public income-maintenance program dropped from about 3 in 10 in June 1948 to about 1 in 9 in June 1955.

Relatively few of the aged persons who were without social insurance in 1955 were receiving payments under private group pension plans. The number of aged persons (retired workers and their aged wives) with private group retirement benefits is estimated at 950,000 as of the end of 1954 and has certainly increased since then. The great majority of them, however, are also old-age and survivors insurance beneficiaries and

**Chart 1.—Persons aged 65 and over, by source of money income, 1948 and 1955<sup>1</sup>**



<sup>1</sup> Continental United States. See table 1 for source and details.

<sup>3</sup> Bureau of the Census, *Current Population Reports, Labor Force, Series P-50, No. 83* (January 1956).

<sup>4</sup> Bureau of the Census, *Current Population Reports, Labor Force, Series P-50, No. 59* (April 1955).

are included in the count of social insurance beneficiaries. In 1948 the total number of retired workers receiving private employer or union pensions was much smaller, but the proportion of such pensioners who did not also have old-age and survivors insurance benefits was larger than in 1955.

The relative numbers of aged persons with income from different sources have an important bearing on the economic welfare of the aged population as a whole because of differences in the degree of security and in the typical amount of income provided, as well as in tax treatment. Before turning to data on recent changes in the income-size distribution of the aged population, it is therefore appropriate to look briefly at changes between 1948 and 1955 in the average income from employment and income-maintenance programs.

As illustrated by the payments to retired workers, there were substantial increases between 1948 and 1955 in average benefit payments under social insurance programs (table 2). The increases were most impressive for old-age and survivors insurance beneficiaries because payments under that program in 1948 were unrealistic in relation to both wages and prices. They had not been changed during the 1940's despite inflationary developments. Subsequent legislative action took account of the lag. The effect on total money income of the decline in the labor-force participation rates of aged men was partially offset by these benefit increases, even

**Table 2.—Average monthly payments to retired-worker beneficiaries under three social insurance programs and to old-age assistance recipients, June 1948 and June 1955**

Program	Average monthly payment, June—	
	1948	1955
Old-age and survivors insurance.....	\$25.13	\$61.03
Railroad retirement <sup>1</sup> .....	70.13	100.97
Federal civil service <sup>2</sup> .....	89.25	118.00
Old-age assistance.....	38.18	52.30

<sup>1</sup> Employee annuities.

<sup>2</sup> Derived from average annual annuity rate at end of June. Data for 1955 unpublished.

Source: Reports of the Social Security Administration, Railroad Retirement Board, and Civil Service Commission.

**Table 3.—Percentage distribution of persons aged 65 and over, by sex and by money income, 1948 and 1954**

(Continental United States; noninstitutional population)

Annual money income	Total			Men			Women		
	1948	1954		1948	1954		1948	1954	
		1948 prices <sup>1</sup>	Current prices		1948 prices <sup>1</sup>	Current prices		1948 prices <sup>1</sup>	Current prices
Total number <sup>2</sup> (in thousands)	11,590	13,630	13,630	5,500	6,340	6,340	6,100	7,290	7,290
Total percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less than \$1,000 <sup>3</sup> .....	73.7	69.0	66.6	55.6	50.5	46.8	89.9	85.2	82.7
0.....	31.8	23.8	23.8	10.9	7.6	7.6	50.6	37.8	37.8
\$1-499.....	21.1	22.2	18.2	20.7	18.9	14.3	21.4	25.2	21.6
500-999.....	20.6	23.0	23.9	23.7	24.0	23.5	17.8	22.2	24.2
1,000-1,999.....	13.1	14.9	15.3	20.0	22.0	22.1	6.8	9.5	9.5
1,000-1,499.....	8.5	8.9	9.4	12.7	12.5	13.1	4.6	5.8	6.2
1,500-1,999.....	4.6	6.0	5.9	7.3	9.5	9.0	2.2	3.5	3.3
2,000-2,999.....	6.8	7.1	7.7	12.3	11.8	12.6	1.7	2.6	3.4
3,000-4,999.....	4.3	6.1	6.9	8.1	10.6	12.4	1.0	1.9	2.0
5,000 and over.....	2.2	2.9	3.6	3.9	5.1	6.1	.5	1.0	1.4

<sup>1</sup> Estimated roughly in the Division of Research and Statistics by converting the limits of each income class in 1954 to 1948 dollars on the basis of the change in the BLS consumer price index and then recalculating the number of persons at each revised income level.

<sup>2</sup> Estimated number at the survey dates, April 1949 and April 1955, respectively. April 1949 estimates

adjusted to conform to the most recent population estimates.

<sup>3</sup> Includes a small number of persons who reported a net loss for the year. The proportion with zero income is probably overstated; see text, page 11.

Source: Bureau of the Census, *Current Population Reports, Consumer Income*, Series P-60, Nos. 6 and 19, and *Population Estimates*, Series P-25, No. 98.

though retirement pay is intended to replace only a portion of earnings. Average old-age assistance payments, which earlier had reflected rising costs, went up less during this 7-year period than benefit payments under the social insurance programs for which data are available, but there was nevertheless some increase in purchasing power.

Gross hourly earnings increased substantially during the 7 years; in manufacturing industries the rise was almost 40 percent, in contrast to the 12-percent increase in consumer prices. Because of the increase in casual and intermittent employment of aged persons, however, their average annual earnings probably did not improve much. From 1948 to 1953, the last year for which such data are available, the median earnings of workers aged 65 and over in employment covered by old-age and survivors insurance went up 16 percent to \$2,275 for men but dropped about 12 percent to \$950 for women.

### Size of Income

*Individual income.*—According to the latest Bureau of the Census annual survey of incomes, about two-thirds of all persons aged 65 and over (not in institutions) received no cash income or less than \$1,000 during

1954, compared with almost three-fourths in 1948 (table 3). While the aged population increased 18 percent from April 1949 to April 1955 (the survey dates), the number of persons reporting current cash incomes of less than \$1,000 for the year preceding each of the surveys increased only 6 percent, those reporting \$1,000-\$2,999 went up more than one-third, and the number with \$3,000 and over almost doubled.

The gain for the population aged 65 and over was tempered by the 12-percent rise in consumer prices between 1948 and 1954 and also by the fact that the larger the percentage increase the smaller the size of the income group to whom the increase related. Nevertheless, even when the data are adjusted for the reduction in the purchasing power of money, there appears to have been some improvement in the income position of the aged since 1948: The proportion with incomes of less than \$1,000, in 1948 prices, remains below 70 percent for 1954 (compared with 74 percent in 1948), and the proportion with \$3,000 or more is 9.0 percent in 1954 (6.5 percent in 1948). The estimated number of persons with specified money incomes, in terms of 1948 dollars, changed as follows from 1948 to 1954:

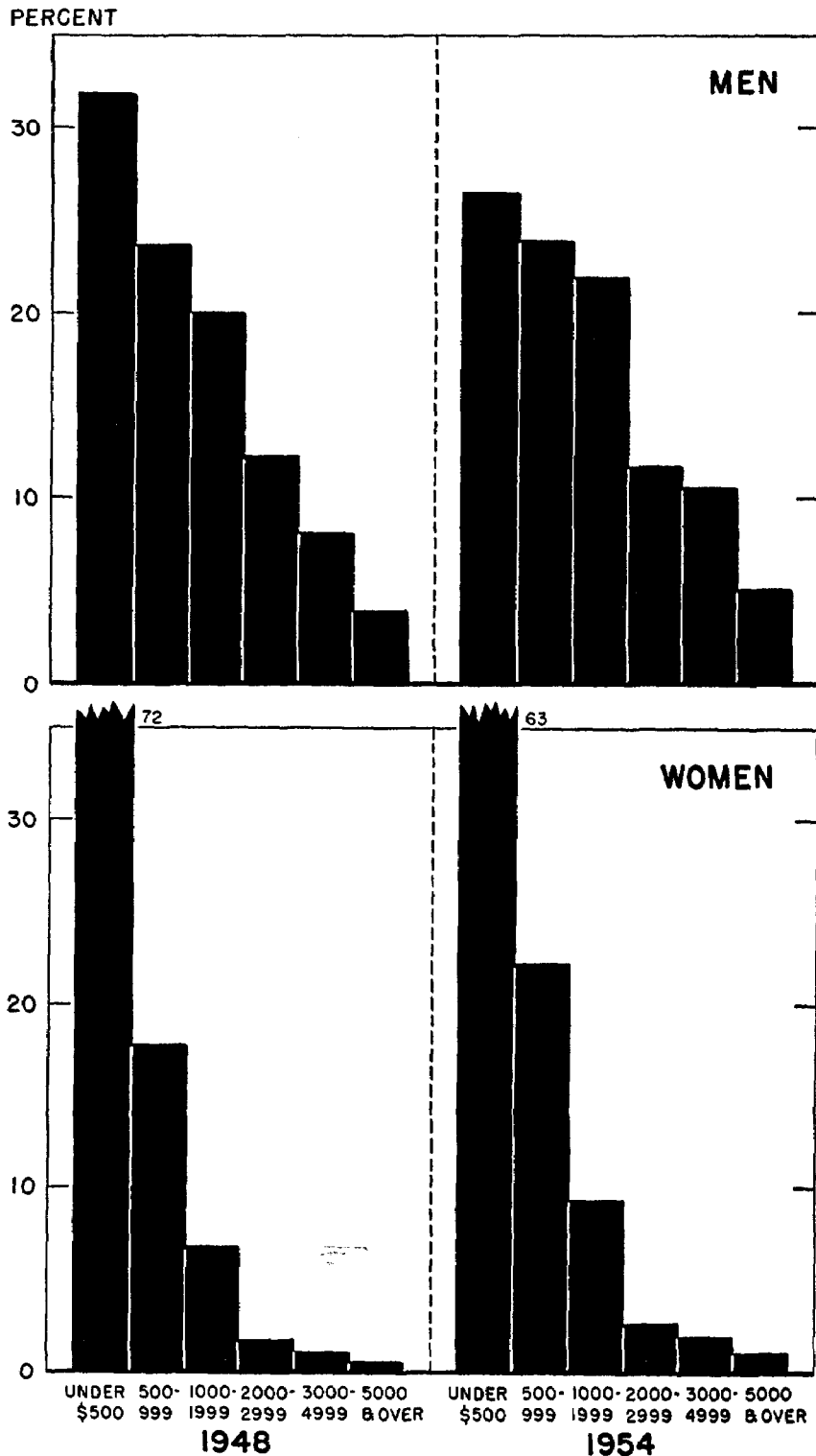
Total money income class (in 1948 prices)	Number <sup>1</sup> (in thousands)	
	Men	Women
Total.....	+ 850	+1,200
Less than \$500.....	- 50	+200
\$500-999.....	+200	+ 550
1,000-1,999.....	+250	+ 250
2,000-2,999.....	+100	+100
3,000 or more.....	+350	+100

<sup>1</sup> Derived from data in table 3. The lowest income group includes those reporting no money income.

The shift from 1948 to 1954 in the income position of women and of men, after adjustment for the price change, is illustrated in chart 2. For women the proportion in each income class except the lowest was larger in 1954 than in 1948. For men, however, the decline in the relative number reporting no income or less than \$500 was balanced by an increase in the proportions reporting \$1,000-\$1,999 and \$3,000 or more. Those in the highest income class were persons who had full-time employment or self-employment or were retired persons with substantial investment income.

Changes in the place of residence of the aged population, like price changes, have an important bearing on the interpretation of changes in the money income distributions. The level of cash income is, of course, substantially higher in urban than in rural communities, and it is lowest for farm residents. Because of the rural-urban variations in living costs and in the extent of income in kind, the absolute differences in size of money income should not be overemphasized. It is nevertheless significant that there were fewer persons aged 65 and over living on farms in April 1955 than in April 1949, despite the 18-percent growth in the aged population. Moreover, the number of farm residents declined from 19 percent to 15 percent of all aged persons not in institutions; for men the decline was from 22 percent to 18 percent and for women, from 16 percent to 12 percent. This shift from farms, of course, means that some of the apparent improvement in real money income was offset by higher living costs and lower income in kind. It is worth noting, however, that the percentage rise in the median money income of income

Chart 2.—Percentage distribution of persons aged 65 and over by money income in 1948 dollars, 1948 and 1954<sup>1</sup>



<sup>1</sup> Noninstitutional population of the continental United States. See table 3 for source and explanation.

recipients was much greater from 1948 to 1954 for men living in cities than for those in rural nonfarm areas, and that for farm residents there was a decline in cash income in current dollars.

Bureau of the Census estimates of income distribution are subject not only to sampling errors, particularly large where small numbers are involved, but also to errors of response and nonreporting. The number of persons at the top of the income scale tends to be underreported, to judge from tax returns. The number at the bottom of the income scale tends to be overestimated because respondents are likely to forget occasional earnings, small interest or dividend payments, contributions, or assistance received for a brief period. The number with zero income is certainly overstated; estimates of the number of persons with income from specific sources suggest that the correct proportion (for men and women combined) is probably 4-5 percentage points smaller than those shown in table 3 for both 1948 and 1954. This overstatement may be attributed to two factors: (1) the general tendency of respondents, already noted, to forget income received irregularly in small amounts; (2) the fact that many of the old-age assistance recipients with no cash income other than assistance—64 percent of all old-age assistance recipients, or about 1.6 million, in early 1953<sup>5</sup>—probably report no money income because assistance is customarily referred to as a payment based on the difference between budgeted requirements and available resources.

The underestimates of income by those with relatively small amounts may have been less for 1954 than for 1948 since social insurance benefits were paid to many more persons in the later year and the average payments under both social insurance and old-age assistance programs were substantially larger. These developments, however, probably do not significantly affect the estimates of changes in the numbers and proportions within broad income groups.

<sup>5</sup> Charles E. Hawkins, "Recipients of Old-Age Assistance: Income and Resources," pages 3-6 of this issue.

**Table 4.—Percentage distribution of families with head aged 65 and over and of unrelated individuals aged 65 and over by money income, and median money income by place of residence, 1948 and 1954**

(Continental United States; noninstitutional population)

Annual money income and place of residence	Families with head aged 65 and over			Unrelated individuals		
	1948	1954		1948	1954	
		1948 prices <sup>1</sup>	Current prices		1948 prices <sup>1</sup>	Current prices
Percentage distribution						
Total number <sup>2</sup> (in thousands)-----	4, 980	5, 400	5, 400	2, 360	3, 120	3, 120
Total per cent.-----	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0
Less than \$1,000-----	27. 7	24. 7	20. 9	73. 1	69. 3	65. 4
1,000-1,999-----	24. 1	24. 8	24. 4	17. 0	18. 2	19. 6
2,000-2,999-----	15. 2	15. 5	15. 2	5. 2	6. 5	7. 6
3,000-4,999-----	16. 6	18. 9	20. 2	2. 8	4. 0	4. 7
5,000 and over-----	16. 4	16. 1	19. 2	1. 8	2. 0	2. 7
Median money income						
Total-----	\$1, 907	\$2, 030	\$2, 294	\$697	\$720	\$796
Urban-----	2, 456	( <sup>3</sup> )	2, 875	774	( <sup>3</sup> )	855
Rural nonfarm-----	1, 558	( <sup>3</sup> )	1, 929	560	( <sup>3</sup> )	681
Rural farm-----	1, 206	( <sup>3</sup> )	1, 091	474	( <sup>3</sup> )	( <sup>3</sup> )

<sup>1</sup> Estimated roughly in the Division of Research and Statistics by converting the limits of each income class in 1954 to 1948 dollars on the basis of the change in the BLS consumer price index and then recalculating the number of families and individuals at each revised income level.

<sup>2</sup> Estimated number at the survey dates, April

1949 and April 1955, respectively. April 1949 estimates adjusted to conform to the most recent population estimates.

<sup>3</sup> Not estimated.

Source: Bureau of the Census, *Current Population Reports, Consumer Income*, Series P-60, Nos. 6 and 20, and *Population Estimates*, Series P-25, No. 98.

Any inferences from the data on size of individual income must be qualified by the fact that married women characteristically depend on their husbands for support. Almost two-thirds of all men aged 65 and over, and more than one-third of the women aged 65 and over in April of 1949 and 1955 were married and living with their spouses. Almost all the married women who had no income in their own right in 1954 were wives of earners or of beneficiaries under a public employees' retirement or veterans' program. They probably numbered roughly 1 million, or more than one-third of all women reporting no income in the Bureau of the Census survey. The income position of the aged could best be appraised if data were presented separately for couples with head aged 65 and over and for aged men and women with no spouse, but unfortunately current data are not available in that form.

*Family income.*—The distributions for 1948 and 1954 by money income class of all families with head aged 65 and over (married couples and

others) and of aged individuals living alone or with nonrelatives are compared in table 4. Like the income data for individuals, they give evidence both of improvement since 1948 and of continuing need.

The relative number of families with an aged head that reported cash income of less than \$1,000 decreased from 28 percent to 21 percent, and the proportion with \$4,000 or more rose from 20 percent to 28 percent. The 5.4 million families with head aged 65 and over in April 1955 were made up of 4.1 million couples and 1.3 million other families—usually with a widow or widower as head. The relatively favorable income position of many families with aged head is attributable to the earnings of a family member under age 65. From data for April 1954, it may be inferred that the 5.4 million families contained some 3 million members aged 18-64, exclusive of young wives of the family heads.

Of the 3.1 million aged persons who lived alone or with nonrelatives in the spring of 1955, about 15 per-

cent reported current money incomes of \$2,000 or more in 1954 and almost two-thirds less than \$1,000. Their situation, as a group, was better than in 1948, when only 10 percent of all unrelated individuals reported \$2,000 or more and almost three-fourths less than \$1,000. Perhaps more significant than these changes in the distribution, which do not take into account the 12-percent price rise, is the increase of some 750,000 in the number of nonmarried persons able to live by themselves—an increase presumably due in large part to the growth in the old-age and survivors insurance rolls and the rise in benefit payments.

When the 1954 distributions are adjusted for the reduction in the purchasing power of the dollar between 1948 and 1954, there still appears to have been a moderate shift up the income scale—out of the lowest income class and into the middle or higher income classes (table 4). The fact that there was no increase in the proportion of families with an aged head that had incomes of \$5,000 or more, in 1948 dollars, may reflect a reduction in the proportion of aged couples or widowed parents sharing a household with adult children who were the main earners but not the nominal heads of the family.

The aged with the smallest resources tend to live in the homes of adult children or other relatives. In the spring of 1955 there were in all some 2.6 million persons aged 65 and over, or 19 percent of the aged population, living in the home of relatives. Only 8 percent of the men and 20 percent of the women aged 65-74, but 22 percent of the men and 35 percent of the women aged 75 and over, lived in the home of relatives. While persons in the older group are the more likely to need personal care by others, they are also much less likely than persons under age 75 to have an independent retirement income. Apparently the great majority of persons aged 65 and over prefer to live independently, when health permits, even though they must eke out a living on a small income.

### **Incomes and Budget Costs**

Income-size data have significance primarily because of the inferences

to be drawn regarding the level of living that can be maintained. In the absence of information on the actual consumption of aged persons, therefore, it would be useful to have estimates of the number of aged persons whose purchasing power does not provide the level of living described by a clearly defined budget standard. Such estimates are valid, however, only if (1) separate budgets are developed for aged persons living alone, with spouse only, or with other relatives; (2) the cost of these budgets is estimated for communities of different size throughout the country; and (3) reliable estimates are available for the same period on the distribution by income of aged persons in these different situations, preferably with adjustment for the extent of homeownership among them.

In 1947-48 the Social Security Administration, following procedures developed by the Bureau of Labor Statistics for its city worker's family budget, prepared a budget for an elderly couple living by themselves in an urban area, "intended to include those goods and services that are necessary for a healthful, self-respecting mode of living that allows normal participation in the life of the community in accordance with current American standards."<sup>6</sup> The cost of this budget, estimated for each of 34 cities at October 1950 prices, ranged from about \$1,600 in New Orleans to about \$1,900 in Milwaukee. (If the cost of housing, which varies most widely among cities, and of heat and utilities is excluded, the costs of other goods and services ranged from \$1,125 in Savannah to \$1,270 in Seattle.) The budget has not been priced since 1950.

The Welfare and Health Council of New York City recently prepared a family budget standard<sup>7</sup> for the city that corresponds to the level of the city worker's family budget but incorporates recent information on consumer needs and practices. The Council chose this standard because, ac-

<sup>6</sup> "A Budget for an Elderly Couple," *Social Security Bulletin*, February 1948.

<sup>7</sup> Research Department, Welfare and Health Council of New York City, *A Family Budget Standard for the Use of Social and Health Agencies in New York City*, 1955.

ording to a statement made in their report:

Social and health agencies in many large cities have found that the cost of the City Worker's Family Budget marks a significant dividing point in their clients' ability to meet normal financial obligations. Families whose incomes are sufficient to maintain this level of living usually can pay their bills or use credit to tide them over all but emergency situations, such as catastrophic illness in the family. Those with lower incomes, however, seldom have financial resources to fall back on in critical periods, and they are less able to pay for services from social and health agencies even though their incomes are sufficient for financial independence at a marginal level.

The Council developed equivalent budgets for various family types, computed their cost as of October 1954, and published cost summaries for persons of various age, sex, and activity groups, with adjustment factors to take account of the family size. The total cost of goods and services for an elderly couple living alone in New York City was estimated at \$2,137 if the head and his wife were both retired, about \$2,520 (excluding taxes) if the head was employed.<sup>8</sup> The total cost, including old-age and survivors insurance, temporary disability insurance, Federal income, and State income taxes, was estimated at about \$2,850, if the husband was employed. Retired workers at the same level of living would not be required to pay income taxes.

If the couple shares a home with relatives the cost is reduced because per capita housing and certain other costs are inversely related to the size of the family. Thus, for example, the budget cost for a retired couple in New York would be less than \$1,900 if the family included one other member and \$1,500 or \$1,600 if

<sup>8</sup> These figures are substantially higher than the October 1954 cost of about \$1,930 that would result from applying the BLS consumer price index for New York City to the BLS cost estimate of \$1,782 for October 1950. Such a procedure would be questionable, however, because the relative importance of different consumption categories is not the same in the budget and the index.

the couple shared a home with three others—say, a married daughter, her husband, and child. Corresponding cost estimates for nonmarried persons aged 65 and over living alone range from about \$2,000 (excluding taxes) for an employed man or woman to about \$1,500 for a woman not working or seeking work. For an aged woman living as a dependent member of a large family, the cost is estimated at \$700-\$800.

Average budget costs for persons with comparable living arrangements would, of course, be lower for the United States as a whole, because prices of certain goods and services are lower and homeownership and kitchen gardens are much more common in small communities than in large cities. Costs in New York City may not, however, be greatly in excess of the average for large cities; according to the cost estimates for the elderly couples' budget in October 1950, New York ranked fourteenth among the 34 cities—11 percent above the lowest city and 7 percent below the highest.

There may therefore be some point in a comparison of the cost estimates for New York City with income data for aged persons living in urban areas. Almost two-thirds of the total aged population lived in urban communities in April 1955.<sup>9</sup> Unfortunately, income data are not available for aged couples and nonmarried persons separately, so that it is necessary to make inferences as to the income level of couples from data for aged men and for all families with an aged head.

According to the Bureau of the Census income survey for 1954, half of all urban men aged 65 and over with income had less than \$1,610 in money income that year and half of all urban families with aged head had less than \$2,875. Although the former figure understates the income available to married couples and the latter overstates it because larger families (some of them with adult earners under age 65) are included, it is clear that many aged couples in cities cannot maintain a level of living equivalent to

that represented by the New York City budget standard. The same conclusion is reached when the budget cost estimates for nonmarried aged persons living alone (some \$2,000 for those at work and about \$1,600 and \$1,500 for retired men and women, respectively) are compared with the \$855 median income of aged individuals living alone or with nonrelatives in urban communities.

### *Social Security Payments and Size of Total Money Income*

*Situation in 1954.*—A considerable proportion of the aged persons with small money income in 1954 were old-age and survivors insurance beneficiaries or recipients of public assistance.

For retired couples with wife entitled to wife's benefits, the maximum monthly benefit under old-age and survivors insurance was \$147.80 (\$1,774 a year) at the end of 1954, and 28 percent of the retired couples received less than \$80 a month (\$960 a year).<sup>10</sup> For retired men who were nonmarried or whose wives were either under age 65 or entitled on their own wage record, the maximum was \$98.50 a month (less than \$1,200 a year). Seventy-eight percent were receiving monthly benefits of less than \$80 at the end of 1954; for 22 percent, benefits were less than \$40 a month (\$480 a year). Retired women workers received lower benefits because of lower average earnings; at the end of 1954, 95 percent had a monthly benefit of less than \$80, and 46 percent had less than \$40. The maximum benefit amount possible for aged widows was \$73.90 a month, but almost one-third received less than \$40 a month. The total amount paid to a beneficiary during 1954 (even one on the rolls the entire year) was, of course, lower than the annual rate at the end of the year indicates, because the increases provided by the 1954 amendments were effective only for the last 4 months of the year.

<sup>10</sup> These and subsequent figures on the proportion of beneficiaries receiving benefits of a given amount relate to the total number and include those residing outside the continental United States, who are omitted from the data presented earlier.

The benefit amounts do not necessarily represent the total money income of old-age and survivors insurance beneficiaries, many of whom have some earnings, private pensions, income from private investments, or public assistance. In general, however, aged insurance beneficiaries whose benefits are low because their earnings had been low or irregular (except for those who also had substantial noncovered earnings) are least likely to have established rights to private pensions or to have accumulated private savings. Part-time employment is also least likely to be available to a retired worker who had been a marginal worker in his younger days or who had retired many years earlier with benefits calculated on earnings when the general level of wages was lower.

Insurance beneficiaries who also receive old-age assistance have, on the average, smaller benefits than all aged insurance beneficiaries. There are, however, many persons receiving small benefits who do not receive supplementary public assistance payments, partly because in the low-income States benefits tend to be relatively small and public assistance standards relatively low. Moreover, some beneficiaries do not apply for assistance, and some are ineligible because of assets or support from relatives. In 1951 the majority of beneficiaries with the lowest benefits were not receiving public assistance, according to data from the national sample survey of aged beneficiaries conducted by the Bureau of Old-Age and Survivors Insurance.<sup>11</sup> Although the number of aged persons receiving both old-age and survivors insurance benefits and assistance payments increased more than one-fifth between the end of 1951 and the end of 1954, the proportion of all aged beneficiaries receiving supplementary old-age assistance payments dropped from about 12 percent to less than 9 percent.

On the basis of data collected in the special study of old-age assistance recipients in 1953, it is estimated

<sup>11</sup> See also Edna C. Wentworth, "Economic Situation of Aged Insurance Beneficiaries: An Evaluation," *Social Security Bulletin*, April 1954.

<sup>9</sup> Bureau of the Census, *Current Population Reports, Population Characteristics, Series P-20*, No. 63 (Nov. 2, 1955).

that more than 90 percent of the couples with both husband and wife receiving an assistance payment had total money income (including assistance) during the survey month at an annual rate of less than \$2,000 and that about one-third had less than \$1,000.<sup>12</sup> The situation was probably not very different in 1954 because there was little change from 1953 to 1954 in the average old-age assistance payment or the size of the caseload. Of the couples in the 1953 study, 94 percent lived in their own home, and more than three-fourths had no other relatives present. Of the recipients with no spouse or with spouse present who was not receiving a separate old-age assistance payment, 80 percent had total money income equivalent to less than \$1,000 a year; one-fourth had less than \$500 a year. Recipients of old-age assistance whose payment supplemented an old-age and survivors insurance benefit had somewhat larger total money income than other recipients, on the average. When they are excluded, it appears that 96 percent of the couples had total money income at an annual rate of less than \$2,000 and 39 percent had less than \$1,000. Of the other recipients with no old-age and survivors insurance benefits, 84 percent had income equivalent to less than \$1,000 a year and 28 percent had less than \$500.

Rough estimates based on these data suggest that of all aged persons (not in institutions) in the continental United States who reported no money income or less than \$1,000 in 1954, between one-fifth and one-fourth were on the public assistance rolls.<sup>13</sup> They made up almost a fifth even when those who received assistance to supplement an old-age and survivors insurance benefit are excluded.

*Future effect of old-age and survivors insurance.*—A continuing decline in the proportion of aged persons primarily dependent on public assistance and a significant increase in the proportion receiving old-age

and survivors insurance are anticipated as the old-age and survivors insurance program matures. These changes have more significance in terms of a probable shift of aged persons from the lowest income group than might appear from a comparison of average old-age and survivors insurance benefits with average old-age assistance payments in 1954.<sup>14</sup> The reason is that the average insurance benefit amount will continue to rise for some years to come.

A large proportion of the persons receiving monthly benefits in December 1954 either became beneficiaries before 1952 or were unable to qualify for a benefit computation based on work after 1950. Although all of them benefited from the general benefit increases adopted in 1950, 1952, and 1954, many had lower average monthly earnings than they would have had if they had been able to qualify under the present provisions.

Because of the limitations on coverage in the early years of the program, many full-time workers were covered for only part of their work. When coverage of the program was widely extended in 1950, Congress provided a "new start," not only for the newly covered persons but also for those previously covered. Under this provision, thousands of persons became eligible for benefits—many, however, for the minimum amount. In the computation of average earnings the "new start" means, for most men and women coming on the rolls in the future, elimination of the 14 years before 1951—years that may have included periods of noncoverage and in many of which the general wage level was relatively low.

A further liberalization in the Social Security Act in 1954 permits as many as 5 years of low earnings to be dropped in computing average

monthly earnings. Under the "disability freeze" provisions of the 1954 amendments, periods of extended disability may also be excluded from computation of the average monthly earnings and therefore will not reduce benefit amounts. All these changes mean higher benefits for the full-time worker—whether at low or high wages—who comes on the rolls in the future.

During the first 6 months of 1955, when old-age benefits were awarded to almost 511,000 persons, 69 percent of the awards went to persons whose benefits were based on earnings after 1950 and who were eligible for the dropout. Of these awards, which are likely to be typical of benefits awarded in the future, 55 percent were for benefits of at least \$80 a month; for men the proportion was 67 percent and for women 21 percent.

It is estimated that at the end of 1960 the percentage distribution by benefit amount of all retired men receiving old-age benefits will compare as follows with the distribution in December 1954:

Monthly benefit	1954	1960
Total percent.....	100	100
\$30.00 (minimum).....	13	7
30.10-59.90.....	30	18
60.00-74.90.....	25	20
75.00-98.50.....	32	54
98.50-108.50.....	—	

There is a second factor that should result in higher real incomes for the aged in the future, provided prices are stable and economic activity continues at a high level. Many persons who are now aged had had all their resources wiped out during the depression and were never again able to accumulate savings for their old age. Persons reaching retirement age now and in the next few years, however, have had a better opportunity as a group to accumulate private savings for retirement because of high levels of employment and rising wage levels during their middle age. During a family's younger years, savings are likely to be for education of children and purchase of a home and other large durable consumer goods. It is after a worker reaches age 45 or 50 that funds are more likely to be put aside for use in retirement.

<sup>12</sup> See also Sue Ossman, "Concurrent Receipt of Public Assistance and Old-Age and Survivors Insurance," *Social Security Bulletin*, September 1955.

<sup>13</sup> Old-age assistance recipients living in institutions—almost 5 percent of the caseload according to the 1953 survey—are excluded from the comparison.

<sup>14</sup> A mere shift of old-age assistance recipients to the old-age and survivors insurance rolls at 1954 benefit levels would not greatly reduce the concentration of the aged population at the bottom of the income scale. It is estimated roughly that some 63 percent instead of 67 percent of all aged persons, not in institutions, would have had no money income or less than \$1,000 in 1954 if the 2.1 million old-age assistance recipients who did not receive old-age and survivors insurance benefits are excluded entirely from the aged population.