OASI Beneficiaries Under Old and New Benefit Levels

When old-age and survivors insurance benefits were raised by the 1950 amendments to the Social Security Act, the average combined benefit being paid to aged couples with both members entitled was $42 a month. This level of benefits was established by a formula adopted in 1939. As a result of the 1950 amendments, a couple whose combined benefit was $42 under the old Act now receives $77.30 a month, an increase of 84 percent.[1] On the face of it, this increase in the level of benefits should have greatly improved the financial situation of the beneficiaries.

From 1939 to September 1950, when the new benefit amounts became payable, consumers' prices in large cities rose 75 percent. In the next 8 months there was a further rise of 6 percent, making a total increase of 85 percent in the cost of living between the time the 1939 formula became effective and May 1951.

This comparison of increases in average benefits and average prices sheds little light on the comparative "security" of the beneficiaries under the old and the new benefit formulas, because it shows nothing as to the level of living either benefit amount would provide. Before the significance of increased insurance benefits can be apparent, this question must be answered: How nearly adequate were the old benefits, taken in connection with the beneficiaries' other resources, to supply them with the minimum floor of protection contemplated in the social security program?

The latest study of beneficiaries and their resources by the Bureau of Old-Age and Survivors Insurance was the survey made in Philadelphia and Baltimore toward the end of 1949. Bureau representatives interviewed 461 men and their families, of whom 157 were married men with entitled wives. Entitlements each year from 1940 to 1947, inclusive, were represented in the sample.

Three-fourths of the entitled couples in the Philadelphia-Baltimore sample had money retirement incomes during 1949 below the local public assistance level. "Retirement income" as used here means all reasonably permanent independent income, including 12 months' insurance benefits. It does not include earnings from employment or any other probably temporary independent income, or any kind of supplementary income.[2] "Public assistance level" as used here means the maximum amount the local public welfare agency would allow a couple having no special needs for medical care, special diets, and so forth. In 1949 in Philadelphia this amount was $1,008 a year and in Baltimore, $960, for couples who lived in rented quarters. For couples who owned their homes, the public assistance level included actual expenditures for housing up to the maximum amount the welfare agency allowed for rent.

Nine percent of the entitled couples with retirement incomes below the public assistance level did in fact receive public assistance. Of those who did not receive assistance, 37 percent were living with relatives, and others received contributions from relatives outside the household.

Thus public assistance or relatives to a considerable extent subsidized the low-income beneficiaries. The beneficiaries who owned their homes—58 percent of the entitled couples with retirement incomes below the public assistance level—were in a somewhat better position than the others, and the fact of home ownership partly explains how many of the low-income beneficiaries were able to manage. Some had earnings or other temporary income, some used assets, and some just got along on their meagre retirement incomes.

This was the situation in Philadelphia-Baltimore during 1949 — 1 year before old-age insurance benefits were increased by the 1950 amendments. Between June 1949—the midpoint of the survey year—and January 1951, consumers' prices in those cities increased 7 and 5 percent, respectively.[3] To measure roughly the extent to which the increased benefits may have helped the entitled couples up to the beginning of 1951, the amount of the benefit increase was added to the retirement income of each couple, which was assumed to have remained unchanged otherwise, and the adjusted retirement income was compared with the local public assistance level adjusted for price increases between 1949 and 1951. For couples, the adjusted assistance level, including the maximum allowance for housing, was $1,078 in Philadelphia and $1,009 in Baltimore.[4]

By this measurement, half of all the entitled couples in the Philadelphia-Baltimore 1949 sample would still have had retirement incomes below the local public assistance level at the beginning of 1951, in comparison with three-fourths of the group so classified before the benefit increase.

Thus despite the larger benefit amounts provided by the 1950 amendments, many beneficiaries whose retirement incomes had previously been below the local costs of rock-bottom acceptable minimum levels of living were still in that position after their insurance benefits were increased. Welcome as were these larger incomes, and much as they helped the beneficiaries to a better level of living than they could previously maintain, if they were not employed their basic needs would still have to be met in part by the use of assets, help from relatives, or public assistance.

The changes in benefit amounts produced by the 1950 amendments compensated briefly for the rise in consu-

[1] The preamendment average benefit of an entitled couple ($42 in August 1950) was adjusted by the conversion table to yield the postamendment benefit ($77.30 in September 1950). Benefits actually paid to entitled couples at the end of May 1951 are estimated to have averaged about $70 because of the entitlement of persons who were eligible under the 1950 amendments but who could not have qualified for benefits under the 1939 requirements.

[2] Beneficiaries with small retirement incomes not infrequently worked during the survey year, even to the extent of forfeiting their insurance benefits when they earned $15 or more a month. Thus the survey-year incomes of some beneficiaries were larger than their retirement incomes.

[3] For Baltimore, the period is from June 1949 to December 1950.

[4] Computed figures; may differ from the maximum amounts the local public welfare agencies actually allowed aged couples in 1951 to compensate for increased costs of living.

mers' prices after 1939 but did not correct the original inadequacy of the benefit level established by the 1939 formula. Since the effective date of the 1950 amendments, further increases in prices have again reduced the purchasing value of benefits below the level established in 1939.

Social Welfare Expenditures in the United States

In the clash of ideas and ideals that characterizes the world of today, the goals of economic and social welfare stand out as stated objectives of all parties and all governments. Definitions of welfare differ, of course, as do prescriptions for achieving it. But, increasingly, nations and social philosophies are being evaluated in terms of social welfare goals. Impressions as to how the United States measures up in such an evaluation—as indicated in statements by persons at home and abroad—vary within wide extremes. Differences in points of view will always color the picture. There are some objective measures, however, that can be used to delineate the main outlines.

In this context, it has seemed useful to bring together certain basic information relating to general welfare and to government expenditures for welfare purposes in the United States. Data on government expenditures for social security and health programs are published annually in the BULLETIN.[1] For purposes of the present analysis, the term social welfare has been broadly defined to include, in addition, education, housing, and community development programs.

This analysis has been limited to the over-all national situation. A closer examination would reveal relatively advantaged and relatively disadvantaged groups and areas. The spread between the lowest and the highest levels of living within a nation is a significant aspect of social welfare for which adequate statistical measures have yet to be developed for most countries of the world. Nor has any attempt been made here to indicate gaps in existing programs in the United States or to measure unmet needs. Such gaps and needs are serious and must be of continuing concern to all who are interested in human welfare. Nevertheless, in terms of current achievement, and absolutely as well as relatively, the United States has made notable progress toward safeguarding, assuring, and improving the general welfare of its people.

General Measures of Welfare

The welfare of any people should be evaluated not primarily in terms of government programs but in terms of the general well-being of the population. While there are many intangibles that cannot be measured, the over-all level of social welfare can be gauged in terms of a number of generally accepted indexes.

Mortality data give some indication of health conditions. In the United States the average expectation of life at birth is now 67 years. Not many countries of the world have a better record in this respect. The increasing life span of our population has resulted in large measure from a dramatic reduction in infant mortality. In 1950 our infant mortality rate was 29 per 1,000 births. Only a few countries, including Sweden, the Netherlands, Australia, and New Zealand, had lower rates. In most countries, the rate was much higher.

The United States has 1 physician for every 800 persons. More doctors are needed, but the rate compares favorably with that of every other large country in the world. Only Austria and Israel have more physicians per 1,000 persons.

The most recent survey (October 1947) showed a very low rate of illiteracy in the United States, with 97 percent of the population aged 14 or over able to read and write. In 1950, 84 percent of the youths of high school age (14–17) and 29 percent of those aged 18–20 were in school or college. About half the young adults aged 20–24 had completed 4 years of high school or had higher education.

Perhaps the best single measure of the standard of living of a country is its per capita income. In 1950 the national income per capita in the United States was $1,576, by far the highest in the world.[2] This figure is the more significant because income is not concentrated in a small class but is widely distributed among the population. The average money income of all spending units in 1950 was $3,520; that is to say, had the total been divided equally among all spending units, each would have received this amount. Actually, half the spending units had incomes of $3,000 or more, and in general these units included more members than those with incomes of less than $3,000 a year. When the money income left after payment of Federal income taxes is considered, the spread is less; average disposable income per spending unit was $3,220, while half of all such units had disposable incomes of $2,850 or more.

Government Social Welfare Programs

The high standard of living of the American people rests in large measure on the increasing productivity of the economy, a relatively healthy and well-educated population, sustained employment, high wages and good working conditions, scientifically developed and prosperous agriculture, a strong trade-union movement, and increasingly cooperative industrial relations. These conditions depend in large part on individual and voluntary group action. From the very beginning of its history, however, the United States has recognized that certain objectives can only be achieved by all the people working together through government. Welfare programs carried out by local, State, and Federal government units have long had an important place in our national life.

Education.—Public education in the United States is the legal responsibility of the several States. The States have enacted laws and established a system of local school districts that operate free public elementary and secondary schools. Most of the funds required to operate these schools come from State and local sources—on the average, 39 percent from the

[1] See the *Bulletin* for September 1951, table 5, p. 25 (Annual Statistical Supplement, 1950).

[2] In 1949, when the United States national income per capita was $1,453, no other country had a per capita income as high as $900. See *United Nations Statistical Papers*, Series E, No. 1, New York, October 1950.