Resources of Beneficiaries of Old-Age and Survivors Insurance

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The Bureau of Old-Age and Survivors Insurance made a series of surveys between 1941 and 1944 to determine the resources of insurance beneficiaries in 19 large and medium-sized cities and to evaluate the contribution made by old-age and survivors insurance to their economic security. Earlier Bulletin articles have analyzed the individual studies and special aspects of them; the following article is taken from the summary and conclusions of a report, now in preparation, that combines the information from all the studies.

ALTHOUGH monthly benefits under old-age and survivors insurance became payable January 1, 1940, most insured workers past age 65 continued in employment after that date. A substantial number, however, filed application and became entitled to benefits. Who were these workers? Why did they apply for a benefit? What happened to them after entitlement? The experience of some of these old people and the survivors of deceased workers who became entitled during the first 3 years of benefit payments under the insurance program answers these and similar questions.

Between 1941 and 1944, representatives of the Bureau of Old-Age and Survivors Insurance interviewed 4,491 insurance beneficiaries in their homes in 19 cities. These cities were grouped in five survey areas: Philadelphia-Baltimore, St. Louis, Birmingham-Memphis-Atlanta, Los Angeles, and 12 middle-sized cities in Ohio. Information was obtained from 3,471 primary beneficiaries entitled on their own wage records (2,947 men and 524 women) and 277 aged widows and 743 widow-child groups entitled to survivor benefits. In 1944 the Bureau made a resurvey of beneficiaries originally interviewed in 1941 in St. Louis.

Each sample was selected from all the beneficiaries in the city or group of cities who had become entitled to benefits in a specified period and who had received one benefit or more after their entitlement. To get a complete picture of the postentitlement experience of all the beneficiaries, those whose benefits had been suspended because of earnings in covered employment were included as well as those who were receiving benefits regularly each month.

The data relate for the most part to members of the beneficiary group (primary beneficiary and spouse, or widow, and unmarried children under age 18 who were living at home). They cover such background information as the beneficiary's age, health, and reasons for retirement; preentitlement occupation; average monthly wage; and primary and family insurance benefits. The beneficiary's postentitlement experience was studied with reference to the amount and source of the beneficiary group's income during the 12 months preceding the date of the interview; its assets, liabilities, and net worth; home ownership, living arrangement, and relatives in the household; adequacy of beneficiary group resources measured by ability to live at a maintenance level;[1] employment of members of the beneficiary group after entitlement; and the receipt of public assistance. Because the provision of adequate medical care for the low-income population has become an increasingly serious problem, consideration has also been given to the ways in which beneficiaries in the two 1944 surveys—St. Louis and the 12 middle-sized cities in Ohio—met their needs for doctor, hospital, and other health services.[2]

Although the facts presented were collected several years ago, most of the findings have current validity. Those relating to the adequacy of beneficiary resources are especially significant in view of the rise in consumer prices since the date of the original investigation.

Definition of Resources

The resources of the beneficiaries and their dependents who made up the beneficiary group have been classified in three categories: income, assets, and relatives in the household.

Income as a rule was the result of the past or present employment of members of the beneficiary group. Such income as insurance benefits, retirement pay, privately purchased annuities, and—though less certain—return on investments was reasonably permanent. Income from permanent sources, including 12 months' insurance benefits and the imputed income from an owned home, can be said to constitute the beneficiary's retirement income—the amount on which an aged beneficiary could count as long as he lived or on which a widow-child group could count for

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[1] The adequacy of beneficiary group income and therefore of all beneficiary group resources could be measured only for the surveys made in 1941–42 (Philadelphia-Baltimore, St. Louis, Birmingham-Memphis-Atlanta, Los Angeles) because the cost of a maintenance level of living was not available for the 12 middle-sized cities in the 1944 Ohio survey. The Works Progress Administration maintenance budget was used as the basis for evaluating the resources of the beneficiaries because it was priced by the Bureau of Labor Statistics for the years covered by the 1941–42 surveys.

[2] See the *Bulletin* for July and September 1943; March 1944; January, April, September, and November 1945; January 1946; August and October 1947; and February 1948. See also the June 1946 *Bulletin* for a comparison of aged insurance beneficiaries with aged assistance recipients and the aged in the general population.

the period of the children's dependency.[3] On the other hand, postentitlement earnings from employment, unemployment insurance, workmen's compensation, and a variety of other small payments had every appearance of being temporary for the older beneficiaries. Gifts from relatives or other individuals outside the household and public and private assistance provided supplementary income but usually placed the recipients in a position of dependency.

Assets for the most part represented investments made during a beneficiary's working years. As a resource they must be balanced against his liabilities to ascertain his net worth. The possibility of a reduction in asset value through capital withdrawals cannot be measured, but in appraising the adequacy of the beneficiaries' over-all resources it has been assumed that assets exclusive of an equity in a home were usable at a moderate rate for current living.

Relatives in the household usually were an actual or potential resource to the beneficiaries by making possible reduced living costs through shared operating expenses and by providing financial aid when needed. The value of relatives as a beneficiary resource cannot be expressed directly in terms of dollars, but the extent to which relatives in the household were an asset or a liability has been appraised by comparing the adequacy of their respective resources.

General Conclusions

Few elderly workers left the labor market because they wanted to. It was only when they were ill or laid off by their employers that most of them applied for social security benefits. For these men and women, old-age benefits were in effect disability or unemployment benefits. Often those whose health permitted returned to work, supplementing an inadequate retirement income with earnings in noncovered or part-time covered employment or forfeiting their benefits in favor of earnings in full-time covered employment.

[3] The term "retirement income," although strictly applicable only to the aged beneficiaries, has also been used here to designate the comparable income of the widow-child groups.

Benefits were not large in comparison with either wages or the cost of living. Unemployment and low earnings during the depression years immediately preceding the start of monthly benefit payments in January 1940, the wage base and method of computing the average monthly wage, the benefit formula, the few years elapsed after January 1, 1937, when contributions began, and the absence of universal coverage—all combined to provide only modest benefit payments even to the few beneficiaries who were awarded the largest monthly amounts possible in 1940–42.

Yet some beneficiaries had no money income other than their insurance benefits. Their benefits were not the largest paid; they did not receive public assistance or help from relatives outside their household. Many of them, however, occupied a home with relatives and often pooled their income with the others, taking satisfaction in this sharing of joint operating expenses. Some who lived with relatives had all their benefits for their own use. It was surprising how the beneficiaries who lived alone and whose only money income was their benefits got along at all.

The relation of insurance benefits to the total resources of beneficiaries who had additional income varied widely. For some, the additional income consisted only of public assistance or help from relatives outside the household; others had additional independent income from either reasonably permanent or probably temporary sources, but it was so small in amount that only their benefits stood between them and outside aid. Other beneficiaries had larger resources but were considerably more comfortable because of their benefits than they would have been without them; and still others—a very few—would have been well off had the social insurance program never existed. For the most part, beneficiaries whose insurance benefits were relatively small had markedly less in retirement resources than those who had larger benefits.

Though beneficiaries of the insurance program were better situated than they would have been without their benefit income, most of them after entitlement had to make radical adjustments in their way of life. Some tried to maintain their preentitlement level of living by going back to work or, in the case of the widows, many of whom had not previously been employed, by earning what they could at home. Beneficiaries who worked, however, often earned little, and many were too old or too infirm to add to their income by employment of any kind. Beneficiaries used their assets and incurred debts for current living; they skimped on food, went without necessary medical care, and bought no clothing. Those who owned their homes were better off for the most part than those who did not; occasionally they had relatives come to live with them. Some home owners, on the other hand, sold their homes and rented quarters that required a smaller payment for housing, or they moved to the homes of relatives. Few willingly asked for public assistance or help from relatives; eventually, however, after having exhausted every other resource, some were forced to ask for aid.

These findings are based on the experience of beneficiaries in the early years of the insurance program. In the future, beneficiaries will be older on the average than they were in these early years.[4]

Because of their greater age and consequently impaired vigor, fewer of them may be able to take occasional jobs even if conditions for their employment are favorable. As the years go by, more beneficiaries may be forced to use more of their assets for current living, so that they will have less security from this source. Hence, if other circumstances do not change, beneficiaries in a mature program may have smaller incomes and less in assets than beneficiaries had in the early years. Counterbalancing factors may lie in revisions of the Social Security Act to provide a more liberal basic security, and in greater individual savings by employed workers as a result of the basic security promised

[4] It is estimated that in 1980 the ratio of male primary beneficiaries 75 years of age and older to those under age 75 will be more than double the 1943 ratio. (Jacob Perlman, *What is Meant by a Mature Program?*, Bureau of Old-Age and Survivors Insurance, Analysis Division, Analytical Note No. 12, Nov. 17, 1944.)

and of improved economic conditions in the years ahead, with a consequent increase in both their retirement income and assets.

Specific Conclusions

Insurance Benefits

Old-age and survivors insurance benefits provided a small but dependable income for the beneficiaries.

About 5 percent of all the beneficiary groups had been awarded the minimum family insurance benefit—$10, $15, or $20 a month, depending on the beneficiary type. About 2 percent had been awarded the maximum family benefit possible for their beneficiary type when they became entitled. For aged widows the maximums were $31.20 a month in the 1941–42 surveys and $31.80 in the 1944 Ohio survey; for nonmarried men, men with nonentitled wife, and female primary beneficiaries, $41.60 and $42.40; for entitled couples, $62.40 and $63.60; and for widow-child groups, $83.20 and $84.80.

The median family benefit did not differ much from survey to survey. By beneficiary type, the range was as follows: aged widows, $16–19 a month; female primary beneficiaries, $18–21; nonmarried men, $22–24; men with nonentitled wife, $23–26; entitled couples, $35–38; and widow-child groups, $40–44.

Some beneficiaries in each survey had their benefits suspended for 1 month or more during the survey year because they earned more than $14.99 in covered employment. Benefit suspensions were most frequent and longest in duration among the men with nonentitled wife. Of these groups, 1–5 percent in the 1941–42 surveys and 26 percent in the 1944 Ohio survey received no benefits during the survey year; an additional 6–18 percent had their benefits suspended for 1 to 11 months.

The median annual income from insurance benefits during the survey year was larger ($417–486, depending on the survey) for the widow-child groups than for any other beneficiary type; from half to two-thirds received between $300 and $599. The entitled couples ranked second in median benefit income ($350–419); the proportion receiving between $300 and $599 varied from approximately three-fifths to three-fourths. The median benefit income was smallest ($197–264) for the beneficiary groups in which only one person was entitled—nonmarried men, couples with nonentitled wife, female primary beneficiaries, and aged widows; with few exceptions between half and four-fifths of these types received from $150 to $299 in benefit income.

Money Income in Addition to Insurance Benefits

Most beneficiaries had a small money income in addition to their insurance benefits during the survey year.

From 63 to 98 percent of the beneficiary groups, depending on the survey and beneficiary type, had some money income other than their insurance benefits during the survey year. Because of more employment, usually accompanied by benefit suspensions, the couples with nonentitled wife had income other than benefits more frequently than any other beneficiary type, except in Ohio. In the Ohio survey, proportionately more younger widows worked and had income from their employment.

The median annual money income in addition to insurance benefits was smallest for the single-member beneficiary groups—nonmarried men ($131–261), female primary beneficiaries [5] ($168–389), and aged widows ($59–269). From two-fifths to seven-eighths of these groups had no additional money income during the survey year or had less than $300.

The couples with nonentitled wife had the highest median money income other than insurance benefits—$385–492 in the first three surveys and $717 in Los Angeles. In Ohio the median additional income of this beneficiary type was $1,063, but the median for the widow-child groups was even higher, $1,152. The median for the widow-child groups, however, was much higher in Ohio than in the 1941–42 surveys ($166–669). For the entitled couples, the median money income in addition to benefits ranged in the five surveys from $231 to $570.

Roughly three-fifths of the couples with nonentitled wife and three-fourths of the entitled couples and widow-child groups in three of the earlier surveys had nothing or less than $600 in additional money income. Even in Los Angeles and Ohio, where earnings were more substantial than in the other surveys, half the entitled couples and about a third to two-fifths of the couples with nonentitled wife and of the widow-child groups had no money income or less than $600 in addition to their benefits.

Total Money Income

The total money income of the beneficiaries during the survey year was typically small.

The smallest total money incomes from all sources were received by the single-member beneficiary groups. The median total money income for these types during the survey year ranged from $259 to $446 in the three earliest surveys and from $476 to $553 in Los Angeles and Ohio. From one-fourth to three-fifths of them in the first three surveys and from one-tenth to three-tenths in the other two surveys had less than $300. Fewer than a seventh of any single-member beneficiary type had an annual money income of $1,200 or more, except in the 1944 Ohio survey, where—because of wartime earnings—almost a quarter of the nonmarried men had as large an income.

Higher annual incomes were received by the couples and widow-child groups. Their median total money income ranged from $621 to $777 in the first three surveys, from $921 to $1,109 in Los Angeles, and from $1,007 to $1,584 in Ohio. From three-tenths to half of these beneficiary types in the three earliest surveys, however, and from a twelfth to a fourth in Los Angeles and Ohio, had total money incomes of less than $600. An appreciable proportion (28–64 percent) in Los Angeles and Ohio had $1,200 or more; in the first three surveys the

[5] All female primary beneficiaries are included with the single-member beneficiary groups, although about an eighth of them were married and living with their husbands. The husband's income is included with that of the beneficiaries.

proportions ranged from 12 to 25 percent.

Sources of Money Income

The money income of the beneficiaries was often derived from a variety of sources; some were reasonably permanent, others were probably temporary, and some provided a supplement to the beneficiaries' independent income that tended to make them dependent.

The pattern of income sources differed by beneficiary type and by survey, depending largely on the extent to which members of the beneficiary group had earnings or interest on a savings account, or received public assistance. Because of the small number of aged widows included in the sample, a satisfactory analysis of their income pattern could not be made.

From 8 to 37 percent of the beneficiary groups in the three earliest surveys had no money income except their insurance benefits; the proportion was smaller in Los Angeles (3–8 percent) where the public assistance law permitted a liberal supplementation of benefits, and in Ohio (2–18 percent) where the public assistance standards also were liberal and wartime earnings were more frequent than in the other surveys. More nonmarried men (5–19 percent) and aged widows (4–37 percent) than other beneficiary types (2–18 percent, with one exception) derived all their income from insurance benefits.

Insurance benefits constituted the only independent permanent money income of some beneficiary groups who had other income derived from earnings and comparable temporary sources or from public assistance and other supplementary sources. In the 1941–42 surveys combined, these beneficiaries comprised 22 percent of the aged widows, 31 percent of the entitled couples, and 36–45 percent of the other four beneficiary types. In the 1944 Ohio survey the corresponding proportions ranged from 19 to 31 percent.

Some beneficiary groups who had a money income in addition to insurance benefits derived all of it from independent permanent sources. They constituted from 16 to 39 percent of the six beneficiary types in the four 1941–42 surveys combined and from 4 to 24 percent in the 1944 Ohio survey. From 19 to 31 percent of the beneficiary groups in the 1941–42 surveys combined and from 37 to 63 percent in the 1944 Ohio survey received some money income in addition to benefits both from independent permanent sources and from temporary or supplementary sources.

The highest money incomes were usually reported by beneficiaries who had a combination of benefits, earnings, and income from assets, and by beneficiaries who had a combination of benefits, retirement pay, and income from assets. The smallest money incomes were reported by beneficiaries who had only benefits, or who had benefits and public assistance or contributions from relatives.

Retirement Income

The independent money income of the beneficiaries from permanent sources, including the imputed income from an owned home and 12 months' benefits, was usually small and as a rule was less than their income during the survey year.

Roughly two-fifths to three-fifths of the different beneficiary types in the various surveys had no independent permanent money income other than their insurance benefits. From 78 to 94 percent of the single-member beneficiary groups had no such additional income or had less than $300; from 77 to 99 percent of the multi-member groups had less than $600. The addition of the imputed income from an owned home to their independent permanent money income raised the economic level of some beneficiary groups, but on the whole the proportions with little in the way of retirement income changed only slightly.

If account is taken of the total retirement income of the beneficiary groups from all permanent sources, including 12 months' insurance benefits as well as other independent permanent money income and imputed income from an owned home, half the female primary beneficiaries would have had a retirement income of less than $248–296 a year in the various surveys. The nonmarried men and aged widows were slightly better off; their median retirement income ranged from $264 to $485. The median retirement income of the entitled couples and widow-child groups varied from $505 to $743 in the different surveys. Because only the man received a benefit, the corresponding figures for the couples with nonentitled wife were somewhat smaller—$318–650. With minor exceptions, from two-fifths to two-thirds of the single-member beneficiary groups, depending on the survey, would have had less than $300 a year in retirement income. From about a third to somewhat more than half of the entitled couples, from two-fifths to three-fourths of the couples with nonentitled wife, and from two-fifths to three-fifths of the widow-child groups would have had less than $600 a year in retirement income.

Assets, Liabilities, and Net Worth

The assets of most beneficiaries exceeded their liabilities, but their net worth was usually low; only a small proportion had assets, other than an equity in a home, sufficient for their lifetime needs if used at a moderate rate.

Of all the beneficiary types, the couples and aged widows had the highest net worth. In three of the four 1941–42 surveys their median net worth at the end of the survey year ranged from $1,602 to $2,869, and in one—Birmingham-Memphis-Atlanta—from $353 to $1,104. At least half the nonmarried men, female primary beneficiaries, and widow-child groups in these four surveys had a net worth of less than $449, except for the widow-child groups in Los Angeles, who had a median net worth of $1,000. The rankings of the beneficiary types according to their net worth were about the same in Ohio in 1944 as in the earlier surveys, but the medians were larger—approximately $4,000 for the couples, $3,100 for the aged widows, and from $877 to $1,707 for the nonmarried men, the female primary beneficiaries, and the widow-child groups.

The beneficiaries' principal asset as a rule was their equity in a home; their principal liability was the unpaid balance due on its purchase price. Some beneficiaries had bank accounts and investments in real estate other than a home and in stocks, bonds, and notes secured by mortgages. Two-fifths to four-fifths of the different types of primary beneficiaries and widow-child groups and three-fifths to four-fifths of the aged widows had savings or investments of one kind or another.

Home ownership was more common in the middle-sized Ohio cities than in the large cities and among the couples and the aged widows than among the other beneficiary types. In Ohio about three-fourths of the couples and two-thirds of the aged widows, and in the other surveys from half to two-thirds of the couples and from two-fifths to half of the aged widows, had an equity in a home. Somewhat more than two-fifths of the nonmarried men and female primary beneficiaries in Ohio and roughly a fifth in the large cities were home owners. From a third to half of the widow-child groups in all the surveys owned their homes. Most home-owning beneficiaries had other assets; most of those who did not own their homes had no assets of any kind.

The value of beneficiary assets other than an equity in a home was typically small. Among the home owners the median value of additional assets did not exceed $1,000 except in Los Angeles, and among most of the beneficiary types in most of the surveys the median value of assets other than a home was considerably less than $1,000. For those not owning homes the median value of all assets did not reach $450, and for most of the beneficiary types in most of the survey areas the median value of assets of this group was zero.

Assets other than an owned home provided little financial security for most beneficiaries. Only 9–16 percent of the male primary beneficiaries in three of the earlier surveys and 23 and 24 percent in Los Angeles and Ohio, respectively, had assets enough to last for their life expectancy if withdrawn at the rate of $25 a month. For the female primary beneficiaries the corresponding proportions were 3–14 percent, depending on the survey.

Some beneficiaries were using their assets to supplement their current income. From 22 to 34 percent of the primary beneficiaries in three surveys and from 12 to 25 percent in Birmingham-Memphis-Atlanta and Ohio withdrew assets to meet living expenses during the survey year; the median amounts used were between $100 and $300. In the three Southern cities a relatively large proportion of the beneficiaries had no assets to use, whereas in Ohio a relatively large proportion had assets but did not need to use them. From 28 to 54 percent of the aged widows and widow-child groups used some of their assets during the survey year; the amounts withdrawn averaged about the same as among the primary beneficiaries.

From 63 to 89 percent of the primary beneficiary groups included at least one member who carried life insurance, except that for the nonmarried men and female primary beneficiaries in Los Angeles the proportions were 36 and 43 percent, respectively. In Philadelphia - Baltimore, the only survey where detailed information about insurance policies was obtained, almost a third of the nonmarried men and couples either had no life insurance or had policies with no cash surrender value, and not more than a fourth had policies whose cash surrender value was $500 or more; only a sixth of the female primary beneficiaries had policies with a cash surrender value as high as $250.

Relatives in the Household

Beneficiaries tended to keep the same living arrangement they had before their entitlement; those who shared a home with relatives were more often helped than burdened by this arrangement.

About half the beneficiaries were living with relatives or had relatives living with them at the end of the survey year; the proportions ranged from a fourth of the entitled couples in Los Angeles to three-fourths of the aged widows in St. Louis. As a rule the beneficiaries who most frequently lived in a household with relatives were the nonmarried men, the female primary beneficiaries, and the survivor groups. The couples more often lived by themselves.

Roughly 2–8 percent of the primary beneficiaries in the various surveys had combined households with relatives after their entitlement or during the preceding year in anticipation of their retirement; in the same period a smaller proportion of joint households previously maintained were dissolved, principally because older children left home. The aged widows and the widow-child groups had entered into joint living arrangements with relatives from two to six times as frequently as the primary beneficiaries, but the proportion terminating such arrangements was about the same as among the primary beneficiaries.

In Ohio, the only survey where information about children living outside the household was obtained, from 23 to 56 percent of the aged beneficiaries, depending on the type, were living by themselves although they had grown children with whom they might possibly have lived.

From 17 to 25 percent of the couples, female primary beneficiaries, and aged widows in three of the earlier surveys probably received part of their living during the survey year from relatives with whom they shared a home; 20–32 percent of the widow-child groups and 9–13 percent of the nonmarried men may have been similarly helped. In Los Angeles, where there were fewer joint households, from 5 to 17 percent of the different beneficiary types probably received financial help from the relatives with whom they shared a home.[6] On the other hand, approximately 5–15 percent of the beneficiaries in the various surveys probably contributed to the support of one or more relatives in their homes; some beneficiaries completely supported grown children or other adults who lived with them.

The beneficiaries who shared a home with relatives on apparently equal terms (about 5 percent) were possibly better off than those who lived alone, since in an emergency the relatives' resources might be available.

[6] A similar analysis could not be made for the Ohio cities in 1944 because the facts necessary for a comparison were not available.

Beneficiary Resources and the Level of Living

Most beneficiaries could not live at a maintenance level on their retirement income and their assets; a majority could live at a maintenance level during the survey year only because they also had temporary or supplementary income or lived with relatives who could aid them.

About two-thirds of the primary beneficiaries and between half and three-fifths of the aged widows in the 1941–42 surveys did not have enough retirement income and assets to live at a maintenance level for the rest of their lives. The cost of the maintenance level ranged from $296 to $976, depending on the composition of the beneficiary group, the living arrangements, and the survey. On the basis of their nonrelief income only, approximately two-fifths to three-fifths of the aged beneficiaries and a still larger proportion of the widow-child groups could not have lived at a maintenance level during the survey year. Nonrelief income has been defined to include money income from all sources, except public and private assistance, and the imputed income from an owned home.

Some beneficiaries received public assistance, used their assets, or were helped by relatives with whom they shared a home. Even when these resources are added to their nonrelief income, roughly 20–30 percent of the primary beneficiaries would not have been able to live at a maintenance level during the survey year. The total resources of 6–32 percent of the aged widows and of about 35 percent of the widow-child groups were similarly inadequate for a maintenance level of living.

Beneficiaries and Public Assistance

Relatively few beneficiaries received public assistance; others probably were eligible, but most beneficiaries tried to get along without outside aid.

About a third of the female primary beneficiaries, three-tenths of the nonmarried men, a fifth of the entitled couples, and a seventh of the aged widows either received public assistance or probably were eligible to receive it. About an eighth of the primary beneficiaries and their spouses and a sixteenth of the aged widows and widow-child groups in all the surveys combined received public assistance as a supplement to their own independent resources during the survey year.

About three-tenths of the nonmarried men, entitled couples, and female primary beneficiaries and a fourth of the aged widows[7] lived on current incomes as low as or lower than the local public assistance level among the beneficiaries but did not receive assistance.[8] The public assistance level ranged from $300 to $480 for single aged men and women and from $500 to $960 for aged couples, the amount depending on the survey. Some beneficiaries with a low income but not receiving public assistance would have been disqualified for such assistance because of their assets, because they lived with children who could help them, or because they were unable to meet the State residence requirements. About a seventh of the primary beneficiary groups, however, and a twelfth of the aged widows apparently were eligible for public assistance but had not applied for it. Most of them had been self-supporting during their working lives, and despite an inadequate income they preferred not to apply for public aid.

Changes in Beneficiary Resources

The resources of most beneficiaries who were completely retired[9] have not increased with the rise in consumer prices.

Exact information as to changes in beneficiary resources after a lapse of time is available only for St. Louis. Half the primary beneficiaries and seven-eighths of the aged widows were completely retired both in the original survey (1941) and in the resurvey (1944); 28 percent of the widows with entitled children did not work in either survey year.

Consumer prices increased about 11 percent in St. Louis between the end of the first (October and November 1941) and second (April–June 1944) survey years. During the same period the money income of some beneficiaries decreased. Taking into account the rise in prices, the real income (measured by purchasing power) of retired beneficiaries decreased $50 or more for approximately nine-tenths of the entitled couples, three-fifths of the nonmarried men and couples with nonentitled wife, and two-fifths of the female primary beneficiaries and aged widows. Almost half the retired female primary beneficiaries, a third of the retired aged widows, and a sixth of the retired male primary beneficiaries had approximately the same real income in the second as in the first survey year. For these beneficiaries, higher living costs in the second year had been offset by small increases in investment income, gifts from relatives outside the household, or public assistance. A fifth of the retired aged widows and about a tenth of the retired primary beneficiaries had a higher real income in the second than in the first survey year, largely as the result of increased income from rented real estate or securities.

More than half the widows with entitled children, more than two-fifths of the men with nonentitled wife, a third of the nonmarried men, a fourth of the men with entitled wife and female primary beneficiaries, and a twelfth of the aged widows had larger earnings during the second than during the first survey year. The higher earnings of most of these beneficiaries more than compensated for the increase in their costs of living.

Beneficiaries who had cash assets had as a rule less on hand or in the bank at the end of the second survey

[7] A comparable analysis of the resources of couples with nonentitled wife and widow-child groups in relation to the public assistance level was not made because of the wide range in requirements for these types based on differences in size of family, sex, and age.

[8] The local public assistance level has been defined in this study as the largest amount of regular income reported by any beneficiary group who lived by themselves in a rented dwelling and received public assistance, when the receipt of insurance benefits had obviously been taken into consideration in determining the amount of the public assistance payments.

[9] The widow-child groups in which neither the widow nor any of the dependent children were employed have been included here among the "completely retired."

year than at the end of the first. While a small part of the difference was accounted for by the withdrawal of funds for the purchase of Government bonds or other securities, most of it occurred because beneficiaries had used their assets to supplement incomes that were inadequate for current living. The assets of many beneficiaries who owned their homes or other real estate or securities had increased largely because of the wartime rise in market values and not because of additional investments.

More joint households of beneficiaries and their relatives were dissolved between 1941 and 1944 than were established in the same period. When homes were shared, the relatives on the average were better able to assist the beneficiaries in the later than in the earlier year. As a result, some beneficiaries whose own incomes were insufficient to meet the increased cost of living were as well or better off in 1944 than in 1941.

In any period of rising prices, completely retired beneficiaries anywhere might have the same experience as the retired St. Louis beneficiaries. The consumers' price index of the Bureau of Labor Statistics for 34 large cities rose approximately 67 percent between June 1941 and the peak in August 1948; in April 1949, the increase was 62 percent. Beneficiaries who were successful in obtaining employment might earn enough to compensate for the increased cost of living, but among those unable to work or to find a job the pinch of a comparatively fixed income often would be severe.

Insurance Benefits as an Incentive to Retirement

Insurance benefits did not offer much inducement to eligible aged workers to retire; few beneficiaries retired voluntarily, and many of the able-bodied returned to work because their retirement resources were inadequate.

Fifty-four percent of the male and 42 percent of the female primary beneficiaries in all the surveys combined had lost their jobs in covered employment on the initiative of their employers. Most of the others had quit for health reasons. Only about 5 percent of the men and women had retired voluntarily, and a fifth of these returned to work; the others had adequate resources—in many instances considerably above the requirements for a maintenance level of living.

About two-fifths of the men in the 1941–42 surveys and somewhat more than half those in the 1944 Ohio survey were gainfully employed at some time during the survey year; women who were primary beneficiaries were gainfully employed less frequently. Most of the employed beneficiaries did not work full time. Beneficiaries who had enough resources of their own to live on, or whose security was otherwise provided for, were not as a rule interested in employment. Those who worked after their entitlement usually did so because their retirement incomes were inadequate. Their earnings usually were smaller when benefits and other reasonably permanent income were low than when resources were more ample, largely because the beneficiaries with the most limited resources frequently worked at unskilled or casual jobs.

Relative Economic Security of Six Beneficiary Types

Few beneficiaries of any type had real economic security; the aged widows and entitled couples were most adequately provided for, the widow-child groups, least.

The relative security of the different beneficiary types was evaluated by comparing the proportions whose resources were adequate for a maintenance level of living for the life expectancy of the aged beneficiaries or the period of dependency of the survivor children. Two measures of resources were used: (1) the retirement income of the beneficiary group, plus their assets prorated over the period; (2) these economic resources, plus possible help from relatives in the household. Though help from relatives may continue as long as a beneficiary needs it, the long-run security of both the aged beneficiaries and the widow-child groups depends on each group's retirement income and assets.

The beneficiary types that were "best off" were the aged widows and entitled couples; 44 and 41 percent, respectively, could have lived at a maintenance level for the rest of their lives on their retirement income and assets. If the income of the entire family had been pooled in households that the beneficiaries shared with relatives, considerably larger proportions of the aged widows (64 percent) and entitled couples (57 percent) would have had resources enough for a maintenance level of living.

"Next best off" were the nonmarried men, the couples with nonentitled wife, and the female primary beneficiaries, of whom 34, 32, and 31 percent, respectively, had enough retirement income and assets for their lifetime needs at a maintenance level of living. When possible help from relatives in the household is added to their retirement income and assets, 50 percent of the nonmarried men and couples with nonentitled wife and 48 percent of the female primary beneficiaries would have had sufficient resources for long-run security at a maintenance level of living.

"Worst off" were the widow-child groups. Only 18 percent of these groups could have lived at a maintenance level on their own retirement income and assets until the youngest child in the group attained the age of 18. Relatives in the household helped to assure a maintenance level of living for proportionately more widow-child groups than any other beneficiary type. But even after the advantages of pooled resources are considered, only 38 percent of the widow-child groups could have counted on long-run economic security at least at a maintenance level of living.

The retirement income of the aged widows was considerably smaller than that of the entitled couples, not only because the widows' insurance benefits were less but also because fewer of them owned their homes. On the other hand, their assets—apart from home ownership—were as substantial as those of the entitled couples, and, since more of the widows had the advantage of reduced expenses resulting from sharing a home with others, their cost of living at a maintenance level was lower. Hence, with no financial assistance from relatives in the household, the proportion of aged widows who had a retirement income adequate for a maintenance level of living compared favorably with the

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proportion of entitled couples; when family resources are pooled, proportionately even more of the widows would have had a retirement income at a maintenance level.

The retirement income of the couples with nonentitled wife was, on the average, somewhat larger than that of the nonmarried men or the female primary beneficiaries. Two persons were dependent, however, on the couples' resources, whereas only one was dependent on the resources of the nonmarried men and most of the female primary beneficiary groups. The couples with nonentitled wife therefore had no greater economic security than these other two beneficiary types.

The retirement income of the widow-child groups was, on the average, as large as that of the aged beneficiaries or larger, depending on the beneficiary type, although fewer widows owned their homes and their other assets were less valuable. Their resources, however, provided for the needs of more persons per beneficiary group than the resources of the other beneficiary types, hence a considerably smaller proportion had retirement resources adequate for their needs at a maintenance level. While help from relatives was available to some of them, it did not raise the proportion of widow-child groups who were assured at least a maintenance level of living up to the proportion of the aged beneficiaries who were similarly situated.

Relative Economic Security of White and Negro Beneficiaries

Negro beneficiaries, both primary and survivor, had notably less adequate resources than white beneficiaries.

Only in the Birmingham-Memphis-Atlanta survey were there enough Negro beneficiaries to permit a comparison of Negro and white beneficiary resources.[10] A third of the beneficiaries in these cities were Negroes, as compared with less than 5 percent in all the other surveys combined. The Negro beneficiaries in the three Southern cities had usually worked in unskilled occupations where wages were low, while the white beneficiaries had usually worked in skilled and better-paid jobs. Thus two-thirds of the Negro men but only a fifth of the white men had been laborers or coal-mine and other operatives; 6 percent of the Negro men but slightly more than half the white men had worked in clerical and sales occupations or as craftsmen. This difference in kind of work before entitlement, plus the greater irregularity of Negro employment, resulted in a median average monthly wage of $50 for the Negro male primary beneficiaries; that of comparable white beneficiaries was $76.

The monthly benefits awarded the Negro nonmarried men, men with nonentitled wife, and entitled couples averaged $17, $19, and $29, respectively; the corresponding averages for white beneficiaries were $22, $24, and $35. Seven percent of the Negro men as compared with 17 percent of the white men received retirement pay from their former employers; the Negro men's retirement pay averaged $180 in the survey year, the white men's, $628. Ten percent of the Negro but 42 percent of the white beneficiary groups had income from assets; for the Negroes this income averaged $65, for the whites, $417. About the same proportion of the beneficiaries of each race (47 percent of the Negroes and 45 percent of the whites) had earnings from employment during the survey year, but for the Negroes who worked these earnings averaged $173, while for the whites they averaged $720. Proportionately fewer Negro (9 percent) than white (16 percent) beneficiaries had relatives outside the household who contributed to their support. A slightly larger proportion of the Negroes (6 percent) than of the whites (4 percent) received public assistance.

Half the Negro male primary beneficiary groups had money income of less than $371 during the survey year; the corresponding median for the white groups was $750. The retirement income of the Negro beneficiaries was markedly lower than the comparable income of the white beneficiaries; for the Negroes the median was $262, for the whites, $656. The Negroes also had considerably less in the way of assets than the white beneficiaries. Three-fifths of the Negro nonmarried men and couples, as against a third of the comparable white beneficiary groups, either had no assets or had none in excess of their liabilities. One percent of the Negro groups but 28 percent of the white groups had a net worth of $3,000 or more. A third of the Negro but half the white beneficiaries were home owners.

The Negro male primary beneficiaries shared a home with relatives as often as the white (50 percent), but whereas the whites' relatives were usually adult children, the Negroes' relatives were more often nieces, nephews, cousins, uncles, and aunts. Moreover, the relatives in the Negro beneficiaries' household were far less able to contribute to the beneficiaries' support than were the white beneficiaries' relatives.

Almost all (98 percent) of the Negro male primary beneficiary groups had too little retirement income and assets to provide them with a maintenance level of living for the rest of their lives; 67 percent of the comparable white groups were so situated. If to these resources possible help from relatives in the household is added, the proportions whose long-run resources were inadequate for a maintenance level of living would have been 93 percent of the Negroes and 45 percent of the whites. If, instead of retirement income, account is taken of income received during the survey year from all sources (including imputed income from an owned home), plus assets used for current living and possible help from relatives in the household, 81 percent of the Negroes and 25 percent of the whites would not have had sufficient resources to permit them to live at a maintenance level during the survey year.

There was the same contrast in the economic situation of the Negro and white widow-child beneficiary groups as in the Negro and white male primary beneficiary groups. The Negroes had a smaller money income and less in assets than the whites, although the Negro groups averaged

[10] Since the sample included only 7 Negro female primary beneficiaries and 6 Negro aged widows, these two types are excluded from the comparison.

one more dependent child than the white groups. Half the Negro widow-child groups had a money income of less than $531; the comparable median income for the white groups was $855. More than half the Negro in comparison with a third of the white widow-child groups had no assets in excess of liabilities. The Negroes less frequently than the whites shared a home with relatives, and when there were relatives in the household the relatives were less able to help the Negro widows. When all resources are taken into account (money income plus imputed income from an owned home, assets used, and possible help from relatives in the household), 91 percent of the Negro widow-child groups but 29 percent of the comparable white groups could not have lived at a maintenance level during the survey year.

The resources of the white beneficiaries in the three Southern cities compared favorably with the resources of the beneficiaries in the other surveys. The smaller resources of the Negro beneficiaries in Birmingham-Memphis-Atlanta were responsible for the comparatively unfavorable position of the beneficiaries as a group in that survey.

Family Insurance Benefit and Beneficiary Resources

Beneficiaries with the largest family insurance benefits as a rule had the largest money income during the survey year and the largest retirement income; they most frequently owned their homes and had total assets of greatest value. A majority of the beneficiaries with the smallest family insurance benefits had few additional economic resources.

A comparison of the resources of beneficiary groups in different family insurance benefit brackets is significant in evaluating the benefit structure of the insurance program if the comparison is limited to a single beneficiary type. It would be misleading, however, to compare the resources of beneficiary groups of different types in any one family insurance benefit bracket. The primary insurance benefit is roughly indicative of the earning capacity of the primary beneficiaries and deceased wage earners before entitlement or death. Obviously, in a given family benefit bracket the beneficiary groups who received only the primary benefit (nonmarried men, men with nonentitled wife, and female primary beneficiaries) or three-fourths of it (aged widows) were on a somewhat higher economic level before entitlement than the groups who were in the same bracket because they received two or more benefits on one wage record (entitled couples and widow-child groups). This difference is particularly apparent in the assets and income from assets of the different beneficiary types in the survey year.

When the family insurance benefit of the aged beneficiaries was less than $20, the median group income (both money income received during the survey year and retirement income), the median net worth, and the proportion owning homes were markedly smaller than when the family benefit was $40 or more. When the family benefit was less than $20, only a small proportion (9–19 percent) of the male primary beneficiaries had enough retirement resources to meet the cost of a maintenance level of living; when the family benefit was $40 or more, a much larger proportion (73–100 percent) were so situated. There was no consistent relationship between the amount of the family benefit and the proportion of beneficiary groups sharing a home with relatives, since living arrangements were determined as much by family considerations as by economic circumstances.

A similar contrast existed between the level of resources of the widow-child groups awarded the lowest (under $30) and the highest ($50 or more) family insurance benefits.[11] The widow-child groups with the highest benefits had more resources than those with the lowest benefits, but the resources were small at both benefit levels. Only 30 percent of the widow-child groups who were awarded the highest family benefit had enough retirement income and assets for a maintenance level of living. Although this proportion was considerably larger than for those in the lowest benefit bracket (8 percent), it represents a situation inferior to that of the aged beneficiaries in the highest benefit bracket.

[11] The lowest and highest family insurance benefit intervals for the widow-child groups were set at under $30 and $50 or more, respectively, because the number of persons entitled on a deceased wage earner's wage record as a rule was larger and the family insurance benefit consequently was higher than in the case of any of the aged beneficiary types.

Medical Care of Beneficiaries

Most beneficiaries had some expense for medical care during the survey year; many had incomes inadequate for the medical care they needed. They used their assets, had help from relatives or public welfare agencies, or incurred debts; some went without medical care.

From two-thirds to six-sevenths of the various aged and survivor beneficiary types in the Ohio and St. Louis surveys in 1944 reported having medical care during the survey year. These were the only surveys in which information on medical care costs was obtained. The median amount spent for medical care by the nonmarried men and female primary beneficiaries who had such expenditures ranged from $30 to $35; the corresponding median for the aged widows and widow-child groups ranged from $50 to $65, and for the two sets of couples—those with entitled wife and those with nonentitled wife—from $60 to $90. Six couples spent between $850 and $2,000 for medical care during the survey year; a few received free medical care.

The amount of expense incurred for medical care bore little relationship to the level of beneficiary group resources. One-fifth of all the couples had medical care costs equal to 15 percent or more of their money income. Half of these, however, were not able to pay for their medical care out of income but met the extraordinarily heavy expenses by using their savings in amounts ranging from $45 to $2,000 or by obtaining help from their adult children. Some had unpaid doctor bills ranging up to $1,300.

Some beneficiaries who spent nothing or less than $25 for medical care during the year may have needed a physician's services, or more than they got, since they reported that their health was too poor for them to do any kind of work. In this category were a fourth of all the married men. Inability to pay for medical care undoubtedly explains its lack in many of these cases, because two-thirds of the couples who had no medical care or spent very little for it had a money income of less than $900. As the beneficiaries grow older, their need for medical care will increase. At the same time the income and assets of many will decline.

A large majority of the widow-child groups had insufficient money income or other resources to defray the cost of a serious illness. Some widows drew on their assets or went into debt, and some postponed operations or other medical care needed by themselves or their children.

Notes and Brief Reports

Use of Pay-Roll Deductions by Federal Credit Unions

Year-end financial and statistical reports made to the Bureau of Federal Credit Unions show that, as of December 31, 1948, almost 1,300 or 38 percent of the 3,410 occupational-type Federal credit unions were using pay-roll deductions to collect members' payments on shares and loans. Federal employee credit unions made up the largest single group of Federal credit unions not using pay-roll deductions.

Federal credit unions operating with a system of pay-roll deductions were fewer in number than those without such a system. They had, however, greater assets, their members held more shares, and their outstanding loans were higher (table 1).

When averages are used instead of totals, additional significant differences appear (table 2). Federal credit unions with pay-roll deductions had, for example, a lower average potential membership but a higher average number of actual members; the ratios of actual to potential membership in the two categories were 53.2 and 36.6 percent. An employer's provision for pay-roll deductions is apparently considered an endorsement of the plan, and this probably has a positive effect on employees' participation in the credit union.

The average loan granted during 1948 was approximately the same amount for both categories. Members of Federal credit unions with pay-roll deductions apparently make more use of the loan service provided by their credit union, however, since relatively more loans were granted to them—93 for every 100 members in contrast to 64 per 100. At the same time, the lower percentage of delinquency for Federal credit unions with pay-roll deductions (3.7 percent compared with 8.3) indicates that such deductions are an important aid in collecting loans, and—since the better control of delinquency undoubtedly tends to liberalize loan policies and credit committee operations—they are also a factor in promoting a more complete loan service to members.

In the organizations with pay-roll deductions, members have average share balances of $175; in the other category, members had an average of $122. This substantial difference warrants the conclusion that the former type of organization is on the average more effective in promoting thrift among members.

Federal credit unions with pay-roll deductions had a slight advantage in the relationship of net earnings to total income; their ratio was 60.6, as compared with 56.3 for the other category. This difference is at least partly explained by the fact that pay-roll deductions simplify the collection of payments by cutting down the number of window transactions and thus reducing the operating costs.

When all Federal credit unions of the occupational type are classified by the year chartered, it is found that those with pay-roll deductions are somewhat older, on the average, than the others. Membership, ratio of actual to potential members, total assets, average share holdings, average net earnings, and volume of loans are higher for the Federal credit unions that have been in operation for longer periods. The rate of growth is faster for the Federal credit unions with pay-roll deductions.

Table 1.—*Selected data on occupational-type Federal credit unions with and without pay-roll deductions, as of December 31, 1948*

Item	With pay-roll deductions	Without pay-roll deductions
Number of occupational-type Federal credit unions	1,284	2,126
Members:		
Actual	667,306	810,499
Potential	1,254,218	2,217,166
Shares (members' savings)	$116,887,486	$98,900,508
Assets	$127,239,720	$109,556,178
Loans outstanding:		
Number	278,421	317,520
Amount	$62,441,934	$61,628,078
Delinquent loans:		
Number	15,115	36,714
Amount	$2,289,960	$5,105,916
Loans granted, 1948:		
Number	622,443	520,521
Amount	$137,635,524	$114,060,991
Income, 1948	$6,676,424	$6,281,730
Expenses, 1948	$2,625,451	$2,750,944

Table 2.—*Selected averages of occupational-type Federal credit unions with and without pay-roll deductions, as of December 31, 1948*

Item	With pay-roll deductions	Without pay-roll deductions
Number of occupational-type Federal credit unions	1,284	2,126
Ratio (percent) to total number of type	37.7	62.3
Membership:		
Average actual	520	381
Average potential	977	1,043
Ratio (percent) of actual to potential members	53.2	36.6
Assets:		
Average	$99,096	$51,532
Average per member	$191	$135
Average shares per member	$175	$122
Loans outstanding:		
Average number	217	149
Average amount	$48,631	$28.988
Average size of loan	$224	$194
Ratio (percent) of outstanding loans to total assets	49.0	56.0
Loans granted, 1948:		
Average number	485	245
Average amount	$107,193	$53,651
Average size of loan	$221	$219
Ratio (percent) of number of loans granted to number of actual members	93.0	64.0
Delinquent loans:		
Average number	12	17
Average amount	$1,783	$2,402
Ratio (percent) of amount of delinquent loans to amount of loans outstanding	3.7	8.3
Average income, 1948	$5,200	$2,955
Average expenses, 1948	$2,045	$1,294
Average net earnings, 1948	$3,155	$1,661
Ratio (percent) of net earnings to total income	60.6	56.3