

Long-Range Trends in Old-Age Assistance

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WHEN the Social Security Act was adopted in 1935, two programs for providing economic security for persons aged 65 and over were established—old-age insurance and old-age assistance. The insurance program provided for benefits on retirement to workers engaged in certain categories of employment. Subsequent legislation advanced the beginning date for payment of the monthly insurance benefits, broadened coverage, and liberalized the eligibility conditions so that a greater proportion of the aged could qualify.

Under the 1935 act, individuals aged 61 or over on January 1, 1937, could not qualify for monthly old-age insurance benefits, which were scheduled to begin in 1942. At the outset, therefore, the assistance program was intended to take care of persons who were already past age 65 and those who would reach that age in the next few years. In the long-range future, however, old-age assistance would still be expected to play an important role because the coverage under the insurance program was by no means universal. Even if coverage had been made universal and the benefits high enough so that no great number of insurance beneficiaries would need supplementary assistance, there would still have been a large group likely to need aid when they reached age 65. These were the men and women, formerly employed, who were under age 65 in 1937 and who had permanently withdrawn from the labor market (principally because of disability), the wives of such men, and widows whose husbands had died before 1937. These persons could not possibly meet the eligibility requirements for insurance benefits established by the 1935 act.

The Committee on Economic Security, which made the studies underlying the Social Security Act, prepared long-range estimates of the number of persons who would be

eligible for old-age assistance and the cost of the program on the basis of varying assumptions. The estimates made on the assumption that no old-age insurance system would be established are contained in *Social Security in America, the Factual Background of the Social Security Act as Summarized from Staff Reports to the Committee on Economic Security*.¹ The consulting actuaries of the committee believed that the number of recipients and the expenditures for assistance would be appreciably higher than did the technical staff members. Accordingly, two sets of estimates were developed by the actuarial staff—one based on assumptions made by the actuaries and the other on those made by the technical staff. The estimated numbers of recipients for selected years are shown below.

[In thousands]

Year	Number of recipients under assumptions of—	
	Actuaries	Staff
1936.....	897	897
1940.....	2,746	1,580
1950.....	4,675	3,153
1960.....	6,801	5,304
1980.....	8,501	6,800

Cost estimates for the old-age assistance program under the assumption of the establishment of an old-age insurance plan were not directly published but are available in staff reports; the estimates differ, of course, depending upon the type of coverage of the insurance plan considered. For the plan finally established, summary figures were published, for several illustrative years, for the Federal share of expenditures (based on assumed constant dollar grants into the future).² The esti-

mates are shown in the following tabulation.

[In millions]

Year	Old-age assistance expenditures under assumptions of—	
	Actuaries	Staff
1936.....	\$137	\$72
1940.....	418	199
1980.....	701	301

These figures indicate that the payments to old-age assistance recipients and, correspondingly, the number of such recipients, would rise for many years instead of reaching a peak shortly before old-age insurance payments began. The expected trend is further indicated in the year-by-year figures on the number of recipients developed by the Committee on Economic Security (table 1).

The actual experience to date may be compared with these two early estimates. Such comparison is not completely valid because of a number of changes that have been made in the old-age insurance plan, such as the amendments broadening coverage and liberalizing eligibility conditions. Demographic experience, furthermore, has differed significantly from the estimates. There are apparently far more aged persons in the population today than were estimated in 1935. The 1950 Census reported 12.3 million persons aged 65 and over, as compared with the 1950 estimate of 10.9 million made by the Committee on Economic Security. The economic status and eligibility status under old-age and survivors insurance of today's aged population have also been significantly affected by the unusual extent of labor-market participation by older workers during World War II. Despite these limitations, a broad and general comparison will yield some interesting facts.

Table 1 compares the estimated and actual numbers of old-age assistance recipients for 1936 through 1952 and, in addition, shows the estimates

¹ Social Security Board Publication No. 20, 1937, table 44, p. 194.

² O. C. Richter and W. R. Williamson, "The Social Security Act of 1935 and the Work of the Committee on Economic Security," *Transactions, Actuarial Society of America*, 1935, p. 307.

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Table 1.—Comparison of actual number of old-age assistance recipients, 1936-52, and Committee estimate, various future years¹

Year of operation ²	Number of recipients (in thousands)			Ratio (percent) of estimates to actual number	
	Actual ³	Assumptions of		Actuaries	Staff
		Actuaries	Staff		
1936	786	897	897	114	114
1937	1,393	1,307	1,046	94	75
1938	1,710	1,765	1,200	103	70
1939	1,861	2,287	1,372	123	74
1940	1,990	2,746	1,580	138	79
1941	2,185	2,835	1,580	130	72
1942	2,252	2,958	1,579	131	70
1943	2,165	3,082	1,584	142	73
1944	2,081	3,125	1,578	150	76
1945	2,035	3,311	1,609	162	79
1946	2,117	3,397	1,624	160	77
1947	2,280	3,516	1,649	154	72
1948	2,407	3,590	1,669	149	69
1949	2,643	3,662	1,692	139	64
1950	2,797	3,813	1,750	136	63
1951	2,719	3,874	1,785	142	66
1952	2,611	3,941	1,827	151	70
1955		4,275	2,056		
1960		4,533	2,582		
1970		4,416	2,497		
1980		4,606	2,392		

¹ Committee estimates based on assumption of existence of old-age insurance plan as enacted in 1935. Data for continental United States, Alaska, and Hawaii.

² From February of year shown through January of next year.

³ Figure for July of given year. Includes data only for States with plans administered with Federal financial participation. Includes a small number of persons under age 65 for whom Federal financial participation is not involved (roughly 4,000 in July 1952).⁴

for several future years. Under the assumption of the actuaries, the number of recipients rises for about the first 20 or 25 years of the program's operation and then levels off at about 4½ million. The figures are, of course, too high in view of the coverage extension and eligibility liberalizations that have occurred in the old-age and survivors insurance program since the original act was adopted. If these changes could have been taken into account, the estimates would be materially lower. Under the assumptions of the staff, the assistance roll likewise increases steadily for the first 20 or 25 years of operation, reaching a peak of about 2½ million and decreasing slowly thereafter.

It was estimated that during the period 1936-80, however, the total aged population would more than double itself. Accordingly, the more or less level trend in the number of recipients anticipated for the years

after 1960 really represents a declining trend relative to the total aged population. The Committee's estimates for old-age recipients relative to the estimated population are given below.

Year	Recipients as percent of population aged 65 and over under assumptions of—	
	Actuaries	Staff
1940	33	19
1945	35	17
1950	35	16
1955	35	17
1960	33	19
1970	29	17
1980	27	14

The actual experience has fallen more or less midway between the two estimates. From 1940 on, the actuaries' estimate of the number of old-age assistance recipients was 30-60 percent higher than the number shown by the actual data. The estimate of the staff for this period, on the other hand, was 20-35 percent less than the actual experience. For 1950, before the effect was felt of the 1950 amendments to the old-age and survivors insurance system, the estimate of the actuaries was about 1 million higher than the number of persons who received old-age assistance, while the estimate of the staff was too low by almost exactly the same amount. Since 1950, the data based on actual experience have shown a downward trend because of the liberalization made in the old-age and survivors insurance program by the 1950 amendments and, accordingly, have approached closer to the staff estimate.

While table 1 gives the trend in the absolute numbers of recipients, these figures do not tell the entire story. It is perhaps more significant to compare the number of recipients relative to the total aged population, which has grown substantially over the decade and a half that the old-age assistance program has been operating.

Table 2 compares recipients of old-age assistance and the total population aged 65 and over from 1936 through 1952. For the first 2 years, as the program got into operation, the ratio of recipients (as of July of each

Table 2.—Relation of old-age assistance recipients to total population aged 65 and over¹

Year	Old-age assistance recipients ² (in thousands)	Population aged 65 and over ³ (in thousands)	Recipients as percent of population aged 65 and over
1936	786	8,050	9.8
1937	1,393	8,250	16.9
1938	1,710	8,500	20.1
1939	1,861	8,750	21.3
1940	1,990	9,000	22.1
1941	2,185	9,300	23.5
1942	2,252	9,600	23.4
1943	2,165	9,900	21.9
1944	2,081	10,200	20.4
1945	2,035	10,500	19.4
1946	2,117	10,850	19.5
1947	2,280	11,200	20.4
1948	2,407	11,550	20.8
1949	2,643	11,950	22.1
1950	2,797	12,350	22.6
1951	2,719	12,750	21.3
1952	2,611	13,150	19.9

¹ Data for continental United States, Alaska, and Hawaii.

² Figure for July of given year. Includes data only for States with plans administered with Federal financial participation. Includes a small number of persons under age 65 for whom Federal financial participation is not involved (roughly 4,000 in July 1952).

³ Based on various estimates of the Bureau of the Census, with the figures for 1941-49 adjusted upward to reflect the excess of the 1950 Census figure over the figure for 1950 projected from the 1940 Census. The 1952 figure is a rough preliminary estimate. All figures rounded to nearest 50,000.

year) to the aged population rose sharply—from about 10 percent in 1936 to about 20 percent 2 years later. The ratio then began to go up slowly until in both 1941 and 1942 a peak of about 23½ percent was reached. There was a slight decline, to 19½ percent, in 1945 and 1946, followed by the rise to 22½ percent in 1950. Following the 1950 amendments the number of recipients declined, and accordingly the ratio of recipients to the aged population decreased even more rapidly, falling to slightly less than 20 percent in 1952.

One further point may be mentioned. It has sometimes been asserted that, if no new old-age assistance recipients were added to the rolls, within a decade there would be no old-age assistance rolls. This conclusion is based on the fact that the average life expectancy of recipients of old-age assistance is about 8-10 years. Life expectancy is, however, an average figure, with some persons dying before the 8- to 10-year period elapses and others living well beyond that time. What life expectancy really

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Table 7.—Public assistance in the United States, by month, November 1951–November 1952¹

[Exclusive of vendor payments for medical care and cases receiving only such payments]

Year and month	Total	Old-age assistance	Aid to dependent children		Aid to the blind	Aid to the permanently and totally disabled	General assistance	Total	Old-age assistance	Aid to dependent children (families)	Aid to the blind	Aid to the permanently and totally disabled	General assistance	
			Families	Recipients										
				Total ²										Children
Number of recipients													Percentage change from previous month	
1951														
November.....		2,705,413	591,992	2,039,163	1,520,326	97,221	118,284	316,000	-----	-0.2	-0.9	(³)	+2.9	+1.6
December.....		2,701,128	591,850	2,041,473	1,522,930	97,179	124,419	323,000	-----	- .2	(⁴)	(⁴)	+5.2	+2.2
1952														
January.....		2,693,960	593,618	2,047,266	1,527,796	97,215	128,493	339,000	-----	- .3	+ .3	(³)	+3.3	+5.1
February.....		2,685,070	593,954	2,050,773	1,531,064	97,142	131,778	336,000	-----	- .3	+ .1	-0.1	+2.6	- .9
March.....		2,679,911	596,740	2,061,603	1,540,555	97,257	134,957	335,000	-----	- .2	+ .5	+ .1	+2.4	- .5
April.....		2,671,699	598,401	2,068,811	1,546,313	97,353	138,017	320,000	-----	- .3	+ .3	+ .1	+2.3	-4.5
May.....		2,666,474	598,236	2,069,852	1,547,265	97,571	141,830	301,000	-----	- .2	(⁴)	+ .2	+2.8	-5.8
June.....		2,659,661	589,968	2,041,549	1,527,353	97,690	145,345	294,000	-----	- .3	-1.4	+ .1	+2.5	-2.6
July.....		2,650,157	578,155	2,006,321	1,501,148	97,670	148,132	307,000	-----	- .4	-2.0	(⁴)	+1.9	+4.5
August.....		2,646,077	572,100	1,990,862	1,490,088	97,905	151,457	295,000	-----	- .2	-1.0	+ .2	+2.2	-3.7
September.....		2,642,395	569,215	1,984,243	1,486,495	98,071	153,902	⁵ 274,000	-----	- .1	- .5	+ .2	+1.6	⁵ -6.8
October.....		2,637,780	566,666	1,977,710	1,482,290	98,249	156,645	⁵ 270,000	-----	- .2	- .4	+ .2	+1.8	⁵ -1.4
November.....		2,635,593	565,536	1,975,901	1,481,431	98,377	159,053	⁵ 267,000	-----	- .1	- .2	+ .1	+1.5	⁵ -1.2
Amount of assistance													Percentage change from previous month	
1951														
November.....	\$189,739,083	\$120,439,062		\$44,575,407		\$4,663,332	\$5,431,282	\$14,630,000	(⁴)	-0.3	-0.2	+0.5	+3.0	+1.4
December.....	190,820,555	120,299,184		44,866,070		4,671,872	5,779,429	15,204,000	+0.6	- .1	+ .7	+ .2	+6.4	+3.9
1952														
January.....	192,067,787	120,076,903		45,118,621		4,808,443	5,934,820	16,129,000	+ .7	- .2	+ .6	+2.9	+2.7	+6.1
February.....	192,324,805	120,209,179		45,274,623		4,840,367	6,097,636	15,903,000	+ .1	+ .1	+ .3	+ .7	+2.7	-1.4
March.....	192,614,690	120,240,482		45,469,064		4,836,239	6,222,905	15,846,000	+ .2	(³)	+ .4	- .1	+2.1	- .4
April.....	192,165,737	120,106,071		45,713,331		4,851,436	6,363,899	15,131,000	- .2	- .1	+ .5	+ .3	+2.3	-4.5
May.....	191,430,861	120,390,263		45,505,911		4,875,654	6,565,033	14,094,000	- .4	+ .2	- .5	+ .5	+3.2	-6.9
June.....	190,026,202	120,199,838		44,768,504		4,883,935	6,694,925	13,479,000	- .7	- .2	-1.6	+ .2	+2.0	-4.4
July.....	191,360,823	120,542,635		44,175,800		4,943,745	6,842,643	14,856,000	+ .7	+ .3	+1.2	+1.2	+2.2	+10.2
August.....	189,513,460	120,424,755		43,620,480		4,959,394	6,973,851	13,535,000	-1.0	- .1	-1.3	+ .3	+1.9	-8.9
September.....	189,681,122	121,251,437		43,522,039		4,974,710	7,074,936	⁵ 12,858,000	+ .1	+ .7	- .2	+ .3	+1.4	⁵ -4.7
October.....	193,688,422	127,753,941		46,116,285		5,206,477	7,523,719	⁵ 13,088,000	+5.3	+5.4	+5.0	+4.7	+6.3	⁵ +1.8
November.....	200,239,866	128,232,360		46,209,537		5,240,897	7,681,072	⁵ 12,876,000	+ .3	+ .4	+ .2	+ .7	+2.1	⁵ -1.6

¹ For definition of terms see the *Bulletin*, January 1953, p. 16. All data subject to revision.

² Includes as recipients the children and 1 parent or other adult relative in families in which the requirements of at least 1 such adult were considered in determining the amount of assistance.

³ Increase of less than 0.05 percent.

⁴ Decrease of less than 0.05 percent.

⁵ Excludes Nebraska; data not available. Percentage change based on data for 52 States.

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means is that roughly half of those now on the rolls would, under the circumstances hypothesized, be still living (and presumably on the rolls) 8-10 years later.

In summary, a study of the historical estimates made by the Committee on Economic Security indicates that, at the time the social security program was developed, it was anticipated that even with an

old-age insurance program (especially one with limited coverage), the absolute number of old-age assistance recipients would increase for at least the next 2 decades and thereafter would not decline sharply, if at all. In sharp contrast, if no old-age insurance program was enacted, the number of recipients would have been expected to rise steadily and rapidly throughout the half century following the establishment of the assistance program.

Any long-term elimination, or vir-

tual elimination, of the old-age assistance program is dependent on the existence of an adequate old-age and survivors insurance program with universal coverage (either independently or in conjunction with other established social insurance systems). Any immediate and substantial reduction in the assistance case load, however, could be accomplished only by granting old-age and survivors insurance benefits to persons who are not insured as a result of actual covered employment.