

ance program the State chooses to administer and finance.

A State that spends a comparatively large amount per inhabitant for public assistance ordinarily uses a relatively large percent of its income payments to support the program. There is a fairly high correlation between the ranking of States in amount spent per inhabitant for public assistance from State and local funds and percent of income used (chart 1). There is little correlation, however, between the fiscal ability of the States—as measured by per capita income—and the fiscal effort they expend for assistance programs. The 24 States with fiscal effort above the median were divided almost evenly between those with above-average and those with below-average fiscal capacity. Of the 12 States with highest fiscal effort, only four were among the 12 States with highest per capita income; seven of the other eight with highest fiscal effort were below the median State in per capita income, and two were among the 12 States with least economic resources. On the other hand, among the 12 States lowest in fiscal effort, four were in the lowest 12 with respect to per capita income and two were below the median State; the remaining six had above-average incomes, and three of them were among the top 12.

In many of the more wealthy industrial States, the generally high level of economic activity plus the ever-increasing expansion of old-age and survivors insurance coverage has greatly reduced the need for public assistance. In these States, because the percent of population in need is comparatively small, high assistance standards can be maintained with expenditure of a relatively small percent of income payments. In contrast, States with the lowest per capita income, where need is widespread, must use an unusually large percent of their income for public assistance if they wish to maintain relatively high assistance standards. As evidence of this fact, the two low-income States that rank among the highest States in public assistance expenditures finance their programs only with extraordinary fiscal effort. The proportion of income payments used for public as-

sistance in Louisiana and Oklahoma is almost two and one-half times the national average and four or more times that in other States with comparably low per capita incomes.

Caution should be used in making interstate comparisons of fiscal effort on the basis of the percent of income payments spent for public assistance. It is a safe assumption that States with low fiscal capacity and a high percent of income being used for public assistance are administering programs that demand fiscal effort out of the ordinary. It cannot be assumed, however, that States necessarily are making relatively little effort to support the programs, if, in comparison with other States, they use a small percent of income payments for public assistance and have small resources. Three dollars spent for public assistance out of every \$1,000 in income payments may represent a greater burden in a low-income State than \$5 out of every \$1,000 in a State with relatively large resources.

### Initial Effect of 1952 Amendments on Average OASI Monthly Benefits

Comparison of the data on benefit amounts newly awarded or currently being paid before and after benefits were converted to the higher rates under the 1952 amendments to the Social Security Act shows substantial increases in the average benefit amounts.

#### Average Monthly Benefits in Current-Payment Status

On September 30, monthly benefits were being paid at the rate of \$193.7 million, an increase of 17 percent from the \$166.0 million being paid at the end of August. Most of the increase was attributable to the liberalization in benefit rates for persons already receiving benefits. About 4 percentage points, however, represented the normal growth during the month in the beneficiary rolls and the effect of the higher benefit amounts newly awarded in September—the result of the new-start average monthly wage and the new (1952) benefit formula. The following tabu-

lation shows a comparison of the average monthly amounts paid for September with those for August, by type of benefit.

Type of benefit	Average monthly amount in current-payment status		Percentage increase
	August 31	September 30	
Old-age.....	\$42.36	\$48.79	15
Wife's or husband's.....	22.96	25.72	12
Child's (retired worker's).....	13.24	14.26	8
Child's (survivor).....	27.83	31.02	11
Widow's or widower's.....	35.93	40.65	13
Mother's.....	33.01	36.52	11
Parent's.....	36.55	41.23	13

For old-age beneficiaries already on the rolls, there were increases of 14 percent for benefits computed originally by use of the conversion table and 7½ percent for the relatively few benefits computed originally under the 1950 formula. The increase, for old-age benefits computed originally by use of the conversion table, amounted to 25 percent for a \$20 benefit, 20 percent for a \$25 benefit, and 12½ percent for a benefit of \$40 or more. For old-age benefits computed originally by use of the 1950 formula, the increase was 10 percent for benefits less than \$50, except for those at the \$20–25 minimums, and ranged from 10 percent for a \$50 benefit down to 6¼ percent for an \$80 benefit. The over-all increase of 15 percent reflects the higher rates of benefits newly awarded in September, in addition to the increases for beneficiaries already on the rolls.

The percentage increase for wife's benefits was smaller than that for old-age benefits. Award data have consistently shown that the average old-age benefit amount awarded to retired married men exceeded the corresponding average amount awarded to nonmarried men and to women. The liberalization in old-age benefits, as measured in dollars, becomes proportionately smaller for successively larger benefit amounts.

Another factor that held down the increase in wife's or husband's benefits, and also in child's (retired worker's) benefits, was the limitation imposed by the maximum family benefit provisions. For some retired-

worker families, the increase in the old-age insurance benefit was in itself larger than the total increase permissible under the maximum provisions. In the absence of a special provision, it would therefore have been necessary to reduce the dependent's benefits. The 1952 amendments made such a provision, setting as a special maximum for these families the previous maximum applicable to the family plus the amount of the increase in the old-age benefit. Accordingly, in these families, there was no increase in the dependent's benefits. In other retired-worker families, dependent's benefits were increased less than the full amount so that the maximum amount payable to the family would not be exceeded.

The probability that the family maximum provisions will be operative in retired-worker families is greater under the 1952 amendments than under the 1950 amendments. The reason is that these provisions now may affect family units consisting of only a retired worker and his wife or child; formerly the smallest unit that they affected was a retired worker and two dependents. Furthermore, for families consisting of a retired worker and two dependents, the range of primary insurance amounts within which the dependent's benefits are reduced because of the maximum provisions is now somewhat larger than under the 1950 amendments.

The smallest proportionate increase (8 percent) in the average benefit was in the group made up of children of retired workers; for wife's or husband's benefits the increase was 12 percent. Although the maximum family benefit provisions affected both types of benefits similarly, a larger proportion of the child's (retired worker's) benefits were reduced because of those provisions. In addition, proportionately more children than wives failed to receive any increase because of the special maximum provision in the 1952 amendments.

Next to child's (retired worker's) benefits, the smallest proportionate increases (11 percent) in average benefits were in the child's (survivor) and in the widowed mother's

benefit groups. The increases for these groups were also held down by the operation of the maximum family benefit provisions. These provisions are more likely to be operative in survivor families under the 1952 amendments than under the 1950 amendments, since now they may affect a family unit consisting of only a mother and one child; formerly the smallest family unit affected was a mother and two children.

Moreover, for family units of three or four children or of a mother and two children, the range of primary insurance amounts within which the family maximum provisions operate is now slightly larger than it was. In addition, for mothers or children in family units affected by the family maximum under the 1950 amendments (with benefits computed originally by use of the conversion table), the increases in the individual benefits were limited by the amount of the increase in the family maximum. Since increases in the maximum family amounts are proportionately smaller than increases in the corresponding primary insurance amounts, except at the upper end of the range, this limitation partly accounted for the smaller percentage increases in mother's and in child's benefits.

Primary insurance amounts of \$20.00-40.00 that were being paid under the 1950 amendments, for example, were increased by \$5.00 or 25-12½ percent. The increases in the corresponding family maximum amounts were smaller percentage-wise; the largest increase was 12½ percent for a family maximum corresponding to a \$20.00 primary amount, and the smallest was 1.8 percent for a family maximum corresponding to a primary amount of \$39.80. Similarly, primary insurance amounts of \$40.00-63.40 were increased 12½ percent. Rises in corresponding family maximum amounts were as low as 1.7 percent for a family maximum corresponding to a \$40.80 primary amount; the greatest increase was 11.5 percent for a family maximum corresponding to a \$63.40 primary amount. Only for primary insurance amounts of \$63.50-68.50, which increased by 12½ per-

cent, was an equal percentage increase made in the corresponding maximum family benefits.

The percentage increases (13 percent) in widow's or widower's and in parent's average benefits were larger than for any other type except old-age. The full effect of the higher benefits provided by the 1952 amendments was reflected in the average widow's benefit. Since, in virtually all cases involving a widow's benefit, the beneficiary family unit consisted of the aged widow alone, the family maximum provisions did not become operative. Under the 1952 amendments, for the first time, the maximum family benefit provisions affect beneficiary families consisting of two parents. The number of 2-parent families so affected was small, however, and the increase in the average benefit was not held down appreciably by the family maximum provisions.

### Average Monthly Benefits Awarded

The following tabulation presents a comparison, by type of benefit, of the average monthly amount for new awards processed during January-November 1952, under the 1950 and the 1952 amendments.

Type of benefit	Average monthly amount newly awarded in January-November 1952		Percentage increase <sup>1</sup>
	Under 1950 amendments	Under 1952 amendments	
Old-age.....	\$39.65	\$58.88	48
Wife's or husband's.....	21.57	30.21	40
Child's (retired worker's).....	12.57	<sup>2</sup> 20.29	61
Child's (survivor).....	25.59	<sup>2</sup> 32.55	27
Widow's or widower's.....	35.07	40.82	16
Mother's.....	33.00	42.01	27
Parent's.....	35.89	43.20	20

<sup>1</sup> Reflects the composite effect of the larger proportion of new-formula benefits awarded under the 1952 amendments and the higher benefit rates payable under these amendments.

<sup>2</sup> Distribution by type of claim partly estimated.

The most significant observation to be made from the comparison is the markedly higher proportionate increase in the average benefit awarded for retirement claims in comparison with survivor claims. The average old-age benefit awarded

under the 1952 amendments reflects the combined effect of two factors. First, persons whose benefits were computed under the new formula that uses only earnings after 1950 have, on the whole, substantially higher average monthly wages than do persons whose benefits were determined by applying the 1939 formula to earnings after 1936 and increasing the result through use of the conversion table. The estimated average monthly benefit for old-age benefits awarded in this period under the 1952 amendments to persons eligible under the new formula provisions was about \$66, in contrast to an average of about \$42 for benefits computed through use of the conversion table. Second, the awards under the 1952 amendments made to persons who qualified for new formula benefits were roughly twice as numerous as awards of conversion table benefits. (Relatively few new formula benefits were awarded under the 1950 amendments.)

In survivor claims, the percentage increase in the average benefit awarded under the 1952 amendments from the average awarded under the 1950 amendments was less than the increase for retirement claims. The difference resulted chiefly from the fact that, with respect to awards made under the 1952 amendments, the primary insurance amount was computed by use of the conversion table in a larger proportion of survivor than of retirement claims.

The larger proportion of conversion-table benefits was due to (1) the usual delays in filing claims after death and the normal administrative processing time coupled with the relatively short period in which death must have occurred in order that the new formula could be used, and (2) for widow's, widower's, and parent's benefits, the presence of many cases where the beneficiary only currently met the age requirement for entitlement to monthly benefits even though the wage earner died before April 1952. In case of death before April 1952, it was impossible for the wage earner to have acquired the 6 quarters of coverage after 1950 necessary to permit a new-formula benefit computation.

The emergence of this benefit pat-

**Table 1.—Average monthly amount of benefits in current-payment status, by type of benefit, end of September, October, and November 1952**

Type of benefit	Average monthly amount in current-payment status on—			Amount of increase, November 30 from September 30
	Sept. 30	Oct. 31	Nov. 30	
Old-age.....	\$48.79	\$49.01	\$49.12	\$0.33
Wife's or husband's.....	25.72	25.86	25.92	0.20
Child's (retired worker's).....	14.26	14.47	14.62	0.36
Child's (survivor).....	31.02	31.15	31.23	0.21
Widow's or widower's.....	40.65	40.66	40.66	0.01
Mother's.....	36.52	36.40	36.08	-0.44
Parent's.....	41.23	41.26	41.29	0.06

<sup>1</sup> Distribution by type of claim partly estimated.

tern was anticipated, and plans were made for the further identification of benefit awards so that data may be obtained on age, sex, and size-of-benefit distributions for new-formula and conversion-table beneficiaries separately. A summary of those results will appear in an early issue of the BULLETIN.

### *Trend Since Conversion*

Table 1 shows a comparison of average monthly benefits in current-payment status at the end of September, October, and November, by type of benefit. The increase in the average old-age benefit in current-payment status was caused primarily by the large number of new-formula awards during October and November. Of the 118,000 old-age benefits newly awarded in those 2 months, about two-thirds were new-formula benefits at a substantially higher average monthly rate, as noted above, than the average rate for old-age benefits in current-payment status at the end of September.

The decline in the average mother's benefit in current-payment status resulted principally from the fact that, under the 1952 amendments, for the first time, benefits payable to family units consisting of a mother and one child were affected by the maximum family benefit provisions. Under the 1950 amendments such family units were not affected by those provisions; accordingly, when the mother was working for wages in excess of the exempt amount, her

benefit payments were suspended. The result was different in other types of families—those consisting, for example, of a mother and two children. If the maximum family benefit was being paid and the mother began working, the mother's benefit was not suspended but was reduced and the children's benefits remained unchanged, so that the total amount payable to the mother and two children was equal to the amount payable for a two-child family.<sup>1</sup>

Under the 1952 amendments, in families made up of a mother and one child, when the maximum family benefit is payable and the mother begins working, the mother's benefit is not suspended but is reduced. Following enactment of the 1952 amendments, the benefits for all working mothers in such families that were affected by the maximum family benefit provisions and whose benefits had been suspended previously were refigured and transferred to current-payment status, with a small benefit amount payable. The large number of such cases reinstated in October and November more than offset the higher averages for newly awarded mother's benefits.

## **New Types of Benefits, September 1950–September 1952**

Two types of benefits—husband's and widower's—were added to the old-age and survivors insurance program by the 1950 amendments to the Social Security Act; the eligibility provisions for two others—wife's and mother's benefits—were broadened. Data for the period September 1950–June 1951 were presented in the January 1952 issue of the BULLETIN. A summary of those figures and preliminary data for July 1951–September 1952 are shown below.

*Wife's and mother's benefits.*—The 1950 amendments provide for payment of benefits to the wife of an old-age insurance beneficiary when she is under age 65 if she has a child beneficiary in her care. Monthly benefit awards to wives in this group

<sup>1</sup> For a discussion of this provision see the *Bulletin*, April 1951, p. 1.