Notes and Brief Reports

Study of Benefits for Survivors of UAW Members in Detroit Areas*

Problems of social and economic adjustments to the death of the family breadwinner, faced by survivors of auto workers in the Detroit area, were examined in a study by the Michigan Health and Social Security Research Institute—made in cooperation with the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW).

The study, supported in part by the research grant program of the Social Security Administration, was designed primarily "to investigate the overall adequacy and efficacy of lump sum death benefits and survivor income arrangements (both public and private) to the deceased workers' surviving families."

A sample of 873 deceased male auto workers employed by the the General Motors Corporation, the Ford Motor Company, and the Chrysler Corporation was analyzed with respect to the characteristics of the workers and the characteristics and adjustment experience of their survivors. The sample was drawn in about equal numbers from 1963 and 1965 deaths to include immediate and ongoing adjustment experience and problems. Personal interviews took place in the spring of 1966—from 4 months to 40 months after the worker's death. Extensive information was obtained on the worker's background, on the pre-death and post-death financial situation, and on the adjustment experience of survivors dependent on the worker. For survivors not dependent on the worker, less detailed information was obtainable.

The major hypotheses examined may be summarized thus:

> The existing survivor benefits programs (public and private combined) are adequate to meet the "immediate financial adjustment needs" of the survivors following the death of the worker but are inadequate to meet the "ongoing financial needs" of this group.

The test of the immediate adequacy of nongovernment benefits was the amount of lump-sum group life insurance proceeds in comparison with the "immediate adjustment costs" facing survivors (funeral costs, medical bills, and estate administration costs). Assets and debts left by the deceased workers were also taken into account.

To evaluate the ongoing adequacy of all types of survivor benefits, the annual income of the survivors, as reported in the interview, was compared with a family budget standard adopted for the purposes of the study—the Detroit City Worker's Family Budget. For 1965 survivors, the time since the worker's death was too brief to permit anything but a preliminary evaluation of the adequacy of the available resources. For 1963 survivors, however, the use of the family budget standard provided an approximate measure of the adequacy of resources from a standpoint of somewhat longer run; its use as a true measure of long-run adequacy is still limited by the relatively brief time since the worker's death.

Principal Findings

Characteristics of workers and survivors.—About 6 out of 7 workers left the proceeds of their negotiated group life insurance to dependent survivors. In more than 90 percent of these cases, the widow was the beneficiary. The 1 worker in 7 without dependents left his group insurance proceeds to relatives in all but 8 percent of the cases.

The typical worker was aged 56 at the time of his death and his wife was nearly 52. He had been with his last employer more than 20 years when he died.

Heart disease was the largest single cause of the worker's death. For 9 out of 10 of the deaths, illness rather than an accident was the cause.

The typical surviving unit was headed by a widow. The widow alone survived in 45 percent of the cases involving dependent survivors. In 20 percent of the surviving units, there was another dependent besides the widow; in 13 percent, a widow and two other dependents survived. The worker had more than two dependent survivors in less than 21 percent of the units.

* Eugene L. Loren and Thomas C. Barker, *Survivor Benefits—A Study of UAW Members and Their Survivors*, Michigan Health and Social Security Research Institute, Inc., 1968. The material above was summarized from the first chapter of the report. Inquiries about the report should be directed to the Institute, 8000 Jefferson Avenue, Detroit, Michigan 48214.

There was a child under age 9 in only 6 percent of the surviving units, and an additional 4 percent had children under age 13. In 19 percent of the units, the youngest dependent child was aged 13–17; in 12 percent, the youngest was aged 18–20.

Seventy percent of the widows were not working at the time of their husband's death. Most of them had had some work experience, however. Typically, they had attended high school but had not graduated.

Resources created by the worker's death.—Benefits available to the widow and other survivors came from the worker's group life insurance, private life insurance, and the social security program. Most workers had some private insurance supplementing their negotiated coverage.

The median amount of lump-sum resources created by the worker's death was $7,330 in 1963 and $8,270 in 1965. It included (a) group insurance (median) of $6,660 in 1963 and $7,050 in 1965; (b) the social security lump-sum death payment (maximum) of $255; and (c) private insurance coverage (median) of $1,110 in 1963 and $1,370 in 1965.

Ninety-nine percent of the 1963 survivors and 97 percent of the 1965 survivors had more than $3,000 in total insurance proceeds. In both years, more than 96 percent of the survivors had an amount greater than $5,000 in such proceeds.

About half the dependent surviving units had little or no assets (between $1,000 in debts and $1,000 in assets) to supplement survivors benefits or work income.

Immediate death-related expenses.—Less than one-fourth of the survivors (both years) reported unpaid health care charges greater than $100 for care of the deceased worker. Catastrophic health care charges (higher than $1,000) were experienced by less than 1 percent. More than a third of the survivors reported no outstanding bills in this category. (These findings, according to the researchers, reflect the relatively comprehensive negotiated hospital-medical insurance coverage of the deceased workers.)

The median amount for immediate death-related expenses (excluding provision for outstanding debts) was $1,575 in 1963 and $1,590 in 1965. For both years, only 6 percent of the survivors reported expenses greater than $3,000.

If the total amount of immediate death-related expenses is deducted from total lump-sum resources created by the worker's death, hypothetical median amounts of $6,340 (1963) and $7,060 (1965) are potentially available to meet living expenses. The shortfall of income, compared with the budget standard, made survivors draw on their assets.

Few survivors actually had significant cash assets on which to draw to supplement their income. In answer to an interview question on the amount of group life insurance proceeds then remaining, 53 percent of those who failed to meet the adequacy standard by $500 or more reported less than $2,000 of such proceeds that might be used to meet the deficiency.

The median amounts of group life insurance proceeds reported as still available were $1,760 for 1963 survivors and $4,080 for 1965 survivors. Data on retained proceeds from other sources are not available. The researchers report that the group life insurance money unspent at the time of interview (perhaps supplemented by proceeds from other sources) would probably be exhausted in a relatively short period if it was used to offset family income deficiencies (against the budget standard).

Ongoing adjustment.—The income of 35 percent of the dependent survivors of workers who died in 1965 fell more than $500 below the standard. Many of these widows had not begun to work to suplement their income, but 88 percent of the 1965 survivors included in their reported income the "transition survivor income benefit."[1]

For 1963 survivors, a longer ongoing period was evaluated. This group was not eligible for the transition benefit, but a higher percentage of these widows were working to supplement income and a higher percentage of the dependents had married or otherwise left home.

With the remarried excluded, 48 percent of the 1963 survivors had income that fell below the adjusted budget standard by $500 or more. Incomes exceeding the standard by $500 or more were reported by 34 percent of the 1963 dependent survivors and by 45 percent of the 1965 group.

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[1] Under union-management collective bargaining agreements, this benefit ($100 a month for survivors of decedents in 1965 and later) was payable to specified survivors for as long as 2 years after the worker's death.

Fewer than 10 percent of the unremarried widows reported children under age 13. Nearly half the 1965 families with children under this age had incomes that were more than $500 above the budget standard, but fewer than 10 percent of such families in the 1963 group met the corresponding measure.

Size of family was not important in itself as a variable explaining adjustment as measured by the scale of the Detroit City Worker's Family Budget.

Despite the relative suddenness of the worker's death, the survivors of accidental death victims fared somewhat better than other types of survivors as measured by the budget scale. Their average age was less than that of other survivors. The resultant work and remarriage potential and the added death benefit[2] were apparently enough to boost the income of survivors of accidental death victims above the average for all survivors.

As expected, widows working full time scored higher than other widows, with respect to the budget standard. Nevertheless, among the 1963 survivors, 30 percent of those working full time scored only at the budget level or below. The score of part-time workers varied considerably but they fared somewhat better than widows who did not work; fewer than 12 percent of those widows had income exceeding the budget standard.

Again, as expected, the number of working dependents tended to lift a family's budget score. Among 1963 survivors, 76 percent of the family units without working dependents scored below the standard; 22 percent of those with two or more working dependents failed to meet this standard. A similar relationship exists among the 1965 survivors.

Receipt of social security benefits was not enough to assure adequacy of income for many of the families studied. Among 1963 survivors, for example, 51 percent of those receiving social security benefits failed to meet the budget standard by more than $500. Among those without such benefits, 38 percent failed to meet the standard. For 1965 survivors, there was a greater difference in the proportions for those with and without benefits that did not meet the standard—a reflection of the differences in adjustment time considered and the extent to which the dependents involved were working.

This finding is consistent with the finding relating to adequacy of income and ages of surviving dependent children. Work earnings beyond a specified amount disqualify a beneficiary from receipt of his social security benefit. Moreover, social security beneficiaries include a disproportionate share of the oldest and the youngest widows.

Family financial resources available at the worker's death (savings, securities, property, and business value) are, in general, not significant. Among 1963 survivors, 69 percent reported less than $2,000 in such resources. Among 1965 survivors, 62 percent had less than that amount in total financial resources. When debts are taken into account, the net resources available to supplement income appear even less likely to overcome the reported deficiencies.

More than 1 out of 4 family units among the 1963 survivors reported changing their residence since the worker's death. This finding may not be significant in comparison with the experience of other workers' families, but the reasons for moving probably had a financial basis. Other living expenses were reduced by more than 1 out of 4 of the survivor units.

An indirect finding of the study is the absence of reported receipt of public welfare payments. No specific question about such payments was asked but in reporting all sources of income, less than 1 percent listed public assistance. The presence of cash resources would, for most of the survivors, prevent their receipt of welfare payments. Moreover, even the low income reported by many of the survivors exceeds welfare standards in the Detroit area.

Uses of group insurance proceeds.—The median cost of the auto workers' funerals ($1,563 in 1963) was greater than the highest cost estimate ($1,461) for a funeral "with all the trimmings" in that year, as reported in a study of funeral expenses,[3] and was well above the national average cost ($988). Even when allowance is made for the fact that the national average includes funerals for infants and indigents, the median

[2] At General Motors and Ford, an accidental death benefit of 50 percent of the principal amount of group life insurance was payable on the death of workers as the result of an accident.

[3] Ruth Mulvey Harmer, *The High Cost of Dying*, Collier Books, 1963, page 9.

for the auto workers remains high. If it is true that the undertakers' knowledge of the availability of life insurance affects the selection and sale of funeral arrangements, the relatively high amount available to the auto worker's survivors may account in part for the relatively high funeral cost.

Other reported uses of group life insurance proceeds varied with the stage of adjustment. The survivors in 1965 reported more frequently that they saved at least part of the money. About three-fourths of the 1963 survivors and half the 1965 survivors used at least part of the group insurance proceeds for current consumption purposes.

Personal impact of the breadwinner's death.—Marriage and remarriage plans are strongly related to the widow's age and the size of the family. Only 8 percent of the 1963 widows had remarried at the time of the interview; more than 20 percent of the widows with children under age 9 had remarried.

About 20 percent of the survivors reported use of nonfamily sources of financial advice following the worker's death. Most of them were satisfied with the advice, but 22 percent felt that they should have gone elsewhere for advise, generally to a lawyer.

Group activity of the widows declined apreciably after the husband died. The percentage of children who were not doing well in school doubled after the father's death for 1963 and more than tripled for 1965 survivors.

Summary.—In assessing the findings it should be recognized that the distinction between immediate and ongoing expenses and the budget standard and other measures of adequacy used are artificial constructs developed for the purposes of this study. If they are used within the limits attributed to them, they reveal important aspects of the problems and adjustments of the survivors of industrial workers.

The indicated deficiencies in financial resources for the group studies may understate their longer-range adjustment problems. Life insurance benefits, even if taken in monthly installments, are fixed in amount and limited in duration. Negotiated survivor benefits are also limited in duration. Except for social security benefits, which may be adjusted through legislation, the benefits for survivors of active employees have generally been fixed by the collective-bargaining agreement in effect at the time of the worker's death. The cost and standard of living are not fixed, however.

The study data also reflect the fact that 1963 and 1965 were good years for the auto workers and the economy, as well as the years immediately before these workers' deaths. The authors feel that, despite the assured nature of the benefits, the picture for survivors might be considerably worse if the economy or the auto industry were to fall on "harder times" (perhaps through a decline in net assets and earnings of secondary wage earners).

The authors point out that, in generalizing from these findings for the auto industry to other groups with less in income or survivor or related benefits, the observations in the preceding paragraphs should be kept in mind. For groups with greater income or more comprehensive benefits, the effect of rising costs and standards of living must also be recognized. For both groups, projections of future income and benefits is hazardous. The earnings opportunities of widows may, however, be expected to decline with advancing age, given the age and background of the widows studied.

Social Security Abroad

POVERTY IN ISRAEL*

A study of poverty in Israel indicates that 16.7 percent of all families, or 10.5 percent of the total population, were counted as poor in 1966, on the basis of an index defined by Israeli minimum subsistence requirements.[1] According to the study, the principal cause of poverty in Israel was the nonselective character of immigration during the period 1948–54, when large numbers of unskilled, aged, and physically handi-

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[1] I. Kanev, *Social and Demographic Development and the Shape of Poverty in Israel*, Economic and Social Research Institute and Research, Department of Health Insurance (Kupat Holim), Tel Aviv, 1968.