Unemployment Benefits, Wages, and Living Costs

By Joseph Schachter*

ONE FEATURE of the State unemployment insurance laws in this country about which there has been very little disagreement is the principle of relating weekly benefits to past wages. While it has generally been agreed that benefits should be related in some way to previous weekly earnings, few attempts have been made to develop criteria for determining the proportion of wage loss to be compensated. Perhaps the clearest approach is the following statement in the Calhoun report: [1]

"The proportion of wage loss to be compensated is, to a considerable degree, a matter of public policy. If the system is to be effective, however, the proportion should certainly not be so small as to require any substantial proportion of beneficiaries to resort to relief while in benefit status, or unduly to depress living standards. On the other hand, the proportion should not be so large as to make benefit status more attractive than work."

The original State laws generally set the weekly benefit, within a stated minimum and maximum, at 50 percent of full-time weekly wages. Later, when reports from employers on hours and wage rates of claimants were discarded in favor of quarterly reports of total earnings, most States adopted 1/26 of highest quarterly earnings as an approximation of 50 percent of the full-time wage. This fraction of high-quarter wages has been increased in many States. In some the increase was no doubt based on a realization that for many claimants some higher fraction than 1/26 was necessary if the weekly benefit was to approximate 50 percent of full-time wages. In other States the increases were designed to raise the proportion to more than 50 percent.

The proportion of wage loss compensated, however, is not uniform for all beneficiaries. Workers who receive the maximum weekly benefit are compensated for a smaller proportion of wage loss than other claimants. This maximum limitation presumably is based on two major assumptions: that higher-paid workers generally do not need as high a proportion of past wages to maintain themselves and their families; and that higher-paid workers, in the absence of a maximum, would draw an undue proportion of unemployment insurance funds.

On these grounds, perhaps the usual maximum of $15 in the original laws was defensible. In 1938 it represented almost 60 percent of the average weekly wage of employed covered workers, and for the great majority of claimants it did not appear to restrict unduly the proportion of wage loss compensated. Since 1938, however, weekly earnings have risen more or less steadily, and most States have found it necessary to adjust the maximum weekly benefit to some extent. Failure to do so would have violated the principle of relating benefits to past wages, for it would have produced a substantially uniform weekly payment and would have required undue reductions in the living standards of many claimants.

Sharp increases in living costs have intensified the problem. When the prices workers pay for basic necessities are rising markedly, a benefit pegged to past wages decreases in adequacy, particularly for the worker with dependents. Since the end of the war the average weekly benefit paid under unemployment insurance has decreased, while the cost of living and weekly earnings have risen. From $18.81 in July–September 1945, the average payment for a week of total unemployment dropped to $18.22 in February 1948, while the consumers' price index rose 30 percent (table 1). Although the maximum weekly benefit has been raised in many States, wages have increased to an even greater extent and consequently the ratio of average weekly benefits to average weekly wages has declined. In July–September 1947 this ratio was only 35 percent, compared with 43 percent in July–September 1945. These changes are discussed in greater detail below.

Earnings in Covered Employment

Earnings in covered employment have increased sharply since the beginning of the program. Even before the United States entered the war, average weekly wages in covered employment rose from $26.15 in 1939 to $30.23 in 1941 (table 2). After Pearl Harbor, as the workweek lengthened, wage rates increased, and workers shifted to higher-paying jobs, the rate of increase was accelerated. In 1942, average weekly earnings jumped to $35.90—an increase of 19 percent over the preceding year's average—and in

Table 1.—*Average weekly wage in covered employment, average weekly payment for total unemployment, and consumers' price index at the end of the war, 1 year later, 2 years later, and in February 1948*

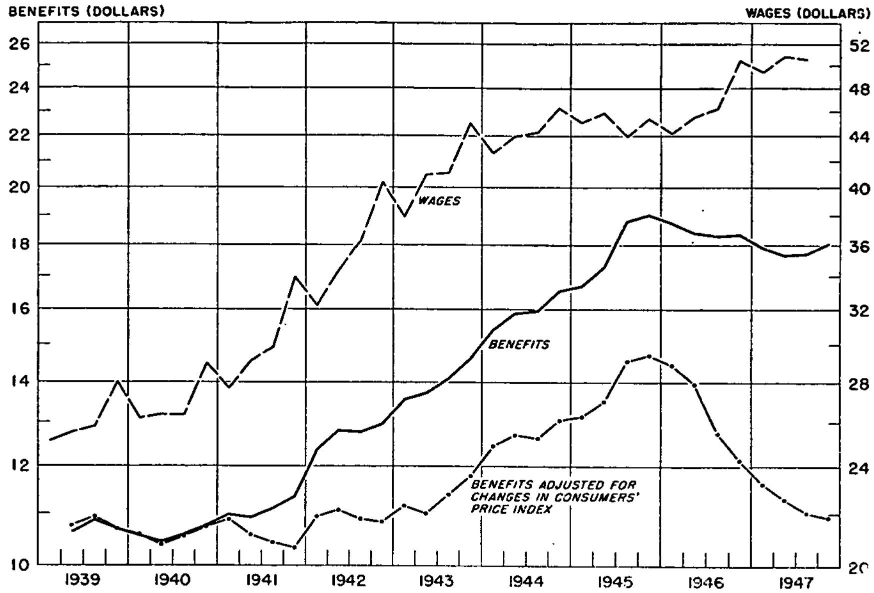
Item	July–September 1945	July–September 1946		July–September 1947		February 1948	
		Amount	Percentage change from July–September 1945	Amount	Percentage change from July–September 1945	Amount	Percentage change from July–September 1945
Average weekly wage in covered employment	$43.94	$46.21	+5.2	[1] $50.51	+15.0	([2])	----------
Average weekly payment for total unemployment	$18.81	$18.31	−2.7	$17.72	−5.8	$18.22	−3.1
Consumers' price index [3]	129.2	143.7	+11.2	160.8	+24.5	167.5	+29.6

[1] Preliminary estimate.
[2] Data not available.
[3] Data from Bureau of Labor Statistics.

*Bureau of Employment Security, Program Division.

[1] *Issues in Social Security*, a report to the House Committee on Ways and Means by the Committee's Social Security Technical Staff (79th Cong., 1st sess.), 1946, p. 388.

Chart 1.—*Average weekly wages in covered employment and average weekly benefits, 1939–47*
(Ratio scale)



1943 they rose another 15 percent, to $41.25. While the adoption of the Federal wage stabilization program slowed down the sharp upward movement, it failed to halt it, and average weekly earnings in covered employment increased to $44.28 in 1944, $45.11 in 1945, and $46.69 in 1946 (chart 1). Average weekly earnings were 15 percent higher in July–September 1947 than in the same quarter of 1945.

Prices

The index of consumers' prices, prepared by the Bureau of Labor Statistics, shows that prices did not fluctuate much during the first 3 years of benefit payments under the program. Since 1940, however, the change in prices has been particularly marked. From a base of 100.0 for the period 1935–39, the price index rose rapidly to 123.6 in 1943 under the pressure of the sharply increased demand for civilian goods in a wartime economy. Then, as price controls were extended and gained in effectiveness, the index of prices began to level off, increasing only to 128.4 in 1945. The removal of price control in 1946 from all major items except rent, however, was followed by another sharp increase in prices. From 130.2 in March of 1946 the index of consumers' prices soared to 167.5 in February 1948—an increase of 29 percent in 23 months.

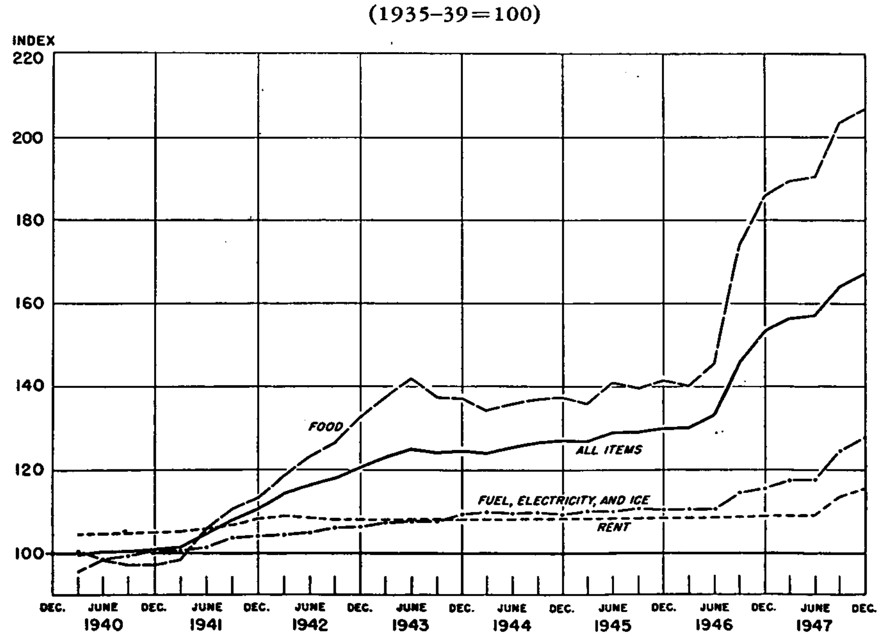
When his normal income is lacking, the unemployed worker generally confines his purchases to little more than the essentials—food, rent, and utilities. Because of the sharp rise in food prices, however, the combined cost of these expenditures has risen even more than the index for all consumer items. From 95.6 in March 1940, the consumers' price index for food rose to 113.1 in December 1941 and 143.0 in May 1943. Food prices remained at this level until March 1946, when controls began to be eliminated; thereafter they climbed so rapidly that they raised the index to 204.7 by February 1948.

Because rent controls are still in force to a large extent, rents have remained fairly stable during the reconversion. In recent months, however, they have begun to advance. The consumers' price index for rent increased only from 104.5 in March 1940 to 109.0 in March 1947, but by February 1948 it had advanced to 116.0. The price of fuel, electricity, and ice has also moved upward more rapidly since the end of the war. In February 1948 the index for these items was 30 percent higher than in 1935–39 and 17 percent higher than in August 1945.

Benefits

During the war years and for several months thereafter the average weekly benefit amount increased; from $10.75 in the last quarter of 1940 it rose to a peak of $19.02 in the fourth quarter of 1945 (table 2). This upward trend is attributable to several factors, including changes in the

Chart 2.—*Index of consumers' prices, March 1940–December 1947*
(1935–39=100)



weekly benefit provisions of State laws. Most of these statutory changes raised the maximum weekly benefit amount, thus permitting the sharp increase in wages to be reflected to some extent in higher weekly benefits to the unemployed. During the first few months after the end of hostilities, moreover, the composition of the beneficiary group underwent a marked transformation—from a relatively small group of seasonal workers and those temporarily laid off because of shortages of parts and scarcity of materials, to a group made up largely of former war workers who had high earnings in their base period.

After the initial readjustment of the labor force, the industrial and occupational composition of the unemployed group began to assume the characteristics associated with normal labor turn-over, with proportionately more lower-paid workers among the beneficiary group. As a result, in 1946 the average weekly benefit began to decline gradually, and by the fourth quarter of 1947 weekly payments under unemployment insurance averaged $18.05—5 percent less than at the end of 1945.

The magnitude of the changes in the maximum weekly benefit amount since 1937 is shown in table 3. In States with a maximum of $15, employed covered workers as a proportion of all workers in 1946 decreased from 95 percent in 1937 to less than 2 percent in 1948. While no State law in 1937 provided a maximum weekly benefit of as much as $20, 39 States, with 87 percent of the covered workers, now provide a weekly benefit of $20 or more. Only 12 States, however, with 37 percent of the covered workers, have a maximum of $25 or more, and three of them pay that amount only to workers with dependents.

Amount in Relation to Weekly Wages

The ratio of average weekly benefits to average weekly wages of all workers has always fluctuated considerably. At no time has it exceeded 43 percent (table 2), despite the fact that a wage-loss ratio of about 50 percent is generally considered desirable under unemployment insurance. From 40 percent in the second quarter of 1939, the ratio declined to a low of 32 percent in the fourth quarter of 1942; thereafter, it rose irregularly to a peak of 43 percent in July–September 1945. Since the end of the war the ratio has declined steadily, and by the third quarter of 1947 it had dropped to 35 percent. There are, of course, differences between the wages of all workers and those of the beneficiary group, but it is probable that the trends move in the same general direction.

In most States the proportion of wage loss replaced by unemployment insurance is now relatively small. In April–June 1947, for example, the ratio of average weekly benefits to average weekly wages in covered employment was less than 30 percent in eight States and was 30.0–34.9 percent in 25 States (table 4). Only in Utah was the ratio as high as 50 percent. In April-June 1940, by comparison, only one State had a ratio of less than 30 percent, and seven States had ratios of 30.0–34.9 percent. In two States, Idaho and Wyoming, the ratios of average weekly benefits to average weekly wages were 51 and 57 percent.

Table 2.—*Average weekly payment for total unemployment, average weekly wage in covered employment, and consumers' price index, by year and quarter, 1939–47*

Date	Average weekly payment, total unemployment	Consumers' price index [1] (1935–39=100)	Average weekly payment adjusted for change in consumers' prices	Average weekly wage	Ratio (percent) of average weekly payment to average weekly wage
1939	$10.66	99.4	$10.72	$26.15	40.8
January–March	(2)	99.4		25.11	
April–June	10.63	98.8	10.76	25.56	40.2
July–September	10.87	99.4	10.94	25.79	42.1
October–December	10.69	100.0	10.69	28.02	38.2
1940	10.56	100.2	10.54	27.02	39.1
January–March	10.56	99.8	10.58	26.19	40.3
April–June	10.43	100.5	10.38	26.37	39.6
July–September	10.58	100.4	10.54	26.36	40.1
October–December	10.75	100.3	10.72	29.00	37.1
1941	11.06	105.2	10.51	30.23	36.6
January–March	10.97	100.9	10.87	27.68	39.6
April–June	10.91	103.2	10.57	29.09	37.5
July–September	11.11	106.5	10.43	29.86	37.2
October–December	11.35	110.0	10.32	33.94	33.4
1942	12.66	116.5	10.87	35.90	35.3
January–March	12.37	113.1	10.94	32.20	38.4
April–June	12.81	115.8	11.06	34.34	37.3
July–September	12.79	117.4	10.89	36.27	35.3
October–December	12.96	119.7	10.83	40.42	32.1
1943	13.84	123.6	11.20	41.25	33.6
January–March	13.56	121.5	11.16	37.90	35.8
April–June	13.72	124.7	11.00	40.95	33.5
July–September	14.09	123.7	11.39	41.07	34.3
October–December	14.64	124.3	11.78	45.02	32.5
1944	15.90	125.5	12.67	44.28	35.9
January–March	15.43	123.9	12.45	42.62	36.2
April–June	15.87	125.0	12.70	43.97	36.1
July–September	15.95	126.3	12.63	44.29	36.0
October–December	16.54	126.7	13.05	46.29	35.7
1945	18.77	128.4	14.62	45.11	41.6
January–March	16.68	126.9	13.14	45.11	37.0
April–June	17.30	128.1	13.51	45.90	37.7
July–September	18.81	129.2	14.56	43.94	42.8
October–December	19.02	129.4	14.70	45.40	41.9
1946	18.50	139.3	13.28	46.69	39.6
January–March	18.76	129.9	14.44	44.19	42.4
April–June	18.41	132.0	13.95	45.54	40.4
July–September	18.31	143.7	12.74	46.21	39.6
October–December	18.36	151.4	12.13	50.46	36.4
1947	17.83	[3] 159.2	[3] 11.20		
January–March	17.92	154.2	11.62	[3] 49.41	[3] 36.3
April–June	17.68	156.4	11.30	[3] 50.82	[3] 34.8
July–September	17.72	160.8	11.02	[3] 50.51	[3] 35.1
October–December	18.05	[3] 165.2	[3] 10.93	(2)	(2)

[1] Data from the Bureau of Labor Statistics.
[2] Data not available.
[3] Preliminary estimate.

Much of the decline in the ratio of average benefits to average wages can be traced to failure of the maximum weekly benefit to keep pace with rising wages. In absolute terms the maximum weekly benefit has increased since the beginning of the program; in relation to wage levels, however, it has decreased. In April-June 1940 the ratio of the statutory maximum to average weekly wages in covered employment ranged from 49 to 94 percent, and 16 States had a ratio of 70 percent or more. In April–June 1947 the range was from 35 to 59 percent, with 30 States in the 35.0–44.9 percent interval.

Amount in Relation to Consumers' Prices

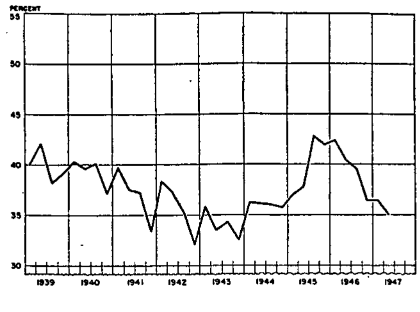
Between 1940 and 1945 the average weekly benefit increased more rapidly than consumers' prices. Hence the "real" value of the average weekly benefit—the amount of goods and services it could purchase in terms of the 1935–39 dollar—also rose, from $10.58 in January–March 1940 to $14.70 in October–December 1945. During the reconversion period, however, consumers' prices rose more rapidly than before, while the average weekly payment for total unemployment declined. Consequently, the "real" value of the average weekly benefit also declined, to $10.93 in October–December 1947 (table 2).

The amount of benefits is generally determined by the amount of wages earned several quarters before the time benefits are paid. Consequently, with the rising cost of living, the amount of goods and services purchasable with a dollar of benefits would be less than the amount the worker was able to buy at the time he earned the wages on which his benefits are based. For example, a weekly benefit equal to 50 percent of weekly wages in the last quarter of 1946 (the base period) would, by the last quarter of 1947, have a purchasing power of only 46 percent of the base-period weekly wages.

City Worker's Family Budget

In view of the sharp increase in living costs and wage levels, the question of the adequacy of unemployment insurance benefits arises. To what extent does the weekly benefit now cover the basic necessities for most claimants and their families without requiring them to reduce substantially their level of living? A comparison of benefits with a budget necessary to maintain a family at "emergency" or "maintenance" standards supplies one answer.[2] The best-known budgets for determining the costs at these levels of living were those developed by Margaret Stecker in 1935 for the Works Progress Administration. In 1946 a comparison of maximum unemployment benefits with those budgets[3] revealed that the benefits frequently fell short of meeting the costs at a "maintenance" level of living, even for persons living alone.

Chart 3.—*Ratio (percent) of average payment for total unemployment to average weekly wages, 1939–47*



Another answer may be based on the most recent budget of family requirements—the city worker's family budget, developed and priced by the Bureau of Labor Statistics.[4] This budget is neither a "subsistence" nor a "luxury" budget; it was constructed in response to the request of a congressional committee that the BLS "find out what it costs a worker's family to live in the large cities of the United States." It was designed to represent the estimated dollar cost required to maintain a family of a certain size "at a level of adequate living—to satisfy prevailing standards of what is necessary for health, efficiency, the nurture of children, and for participation in community activities."

There has been little or no suggestion that unemployment benefits, if they are to be deemed completely ade-

[2] For a discussion of the adequacy of income of beneficiaries under old-age and survivors insurance, see the *Bulletin*, February 1948, pp. 12–22.

[3] "Unemployment Insurance and the Cost of the Basic Necessities," Supplement to *Employment Security Activities*, March 1946.

[4] Lester S. Kellogg and Dorothy S. Brady, "The City Worker's Family Budget," *Monthly Labor Review*, February 1948, pp. 133–170. See also the *Social Security Bulletin*, February 1948, pp. 4–11, for "A Budget for an Elderly Couple"; the methods and procedures used in preparing this budget were those developed by the Bureau of Labor Statistics for its city worker's family budget, modified to take account of the differences in family type.

Table 3.—*Distribution of States and of employed covered workers[1] by maximum weekly benefit amount, specified dates, 1937–48*

Maximum weekly benefit amount [2]	Dec. 31, 1937		Oct. 1, 1940		Dec. 31, 1941		Dec. 31, 1944		Dec. 31, 1945		Apr. 10, 1948 [3]	
	Number of States	Percentage distribution of covered workers [1]	Number of States	Percentage distribution of covered workers [1]	Number of States	Percentage distribution of covered workers [1]	Number of States	Percentage distribution of covered workers [1]	Number of States	Percentage distribution of covered workers [1]	Number of States	Percentage distribution of covered workers [1]
Total	51	100.0	51	100.0	51	100.0	51	100.0	51	100.0	51	100.0
$15	49	95.3	41	77.0	30	50.8	22	19.7	10	7.0	2	1.8
$16	1	4.7	5	13.3	7	17.5	4	8.7	3	1.9	0	0
$17	0	0	0	0	2	3.9	0	0	0	0	0	0
$17.50	0	0	0	0	0	0	0	0	0	0	1	.6
$18	1	.2	5	9.9	9	25.3	14	43.2	11	13.3	9	10.4
$20	0	0	0	0	3	2.7	10	26.6	17	40.0	22	36.2
$21	0	0	0	0	0	0	0	0	3	24.8	1	6.7
$22	0	0	0	0	0	0	1	2.0	1	4.1	2	4.5
$22.50	0	0	0	0	0	0	0	0	0	0	1	.6
$24	0	0	0	0	0	0	0	0	1	.1	1	2.2
$25	0	0	0	0	0	0	0	0	3	2.3	8	17.0
$26	0	0	0	0	0	0	0	0	0	0	2	13.5
$28	0	0	0	0	0	0	0	0	2	6.7	1	4.7
$36	0	0	0	0	0	0	0	0	0	0	1	2.0

[1] Employed covered workers in 1946.

[2] Maximum includes dependents' allowances in 1 State in first 4 periods and 4 States in 1945 and 1948; also includes upward cost-of-living adjustment in 1 State in 1945 and 1948. Maximum does not include dependents' allowances in Massachusetts (1948).

[3] In some instances the maximum benefits used are not effective until after Apr. 10, 1948.

quate, must meet the cost of this type of budget. In June 1947, to live at the level described in the city worker's family budget—that is, to cover the cost of the total budget including taxes and so on—a worker must have earned from $3,004 to $3,458 per year. Many workers with families of four persons do earn approximately this amount or more. In 1946, for example, 61 percent of all urban families of four related persons had incomes of $3,000 or more.[5] On the other hand, the annual earnings of a large proportion of steadily employed workers, even in a period of full employment, fall considerably short of that amount. It is obvious that when the full-time earnings of a worker are insufficient to cover the cost of such a budget, unemployment benefits cannot be expected to do so.

If unemployment insurance payments cannot provide all that is necessary for "acceptable living," can they at least be expected to enable beneficiaries to meet the expenditures for food, housing, and utilities, which cannot easily be deferred even during periods of unemployment?

These nondeferrable expenditures account for approximately 48.7–52.8 percent of the total budget, in all the cities surveyed. Food alone takes from 30.1 to 35.2 percent; and rent, heat, and utilities take another 14.8 to 21.9 percent. In dollar amounts, this means that on the average these nondeferrable expenditures add up to more than $30 a week for a family of four. Yet the highest basic weekly benefit workers could receive when unemployed ranged from $15 in some States to $26 in others. If dependents' allowances are included, the maximum reaches $36 in Connecticut. It may be substantially higher in Massachusetts, since the maximum is limited only by the number of a claimant's dependents and his average weekly wages.

Table 4.—*Average weekly payment for total unemployment and average weekly wage in covered employment, April–June 1940 and April–June 1947, and basic maximum weekly benefit, Jan. 1, 1940, and Sept. 15, 1947, by State* [1]

Region and State	Average weekly payment for total unemployment		Average weekly wage		Ratio (percent) of average weekly payment to average weekly wage		Basic maximum weekly benefit as of—		Ratio (percent) of basic maximum weekly benefit to average weekly wage in—	
	April–June 1940	April–June 1947	April–June 1940	April–June 1947	April–June 1940	April–June 1947	Jan. 1, 1940	Sept. 15, 1947 [2]	April–June 1940	April–June 1947
Total	$10.43	$17.68	$26.37	$50.55	39.6	35.0				
Region I:										
Connecticut [1]	9.99	19.32	27.86	53.41	35.9	36.2	$15	[2] $22	53.8	41.2
Maine	6.30	13.06	20.31	43.82	31.0	29.8	15	[2] 20	73.9	45.6
Massachusetts [1]	9.99	21.78	25.51	47.58	39.2	45.8	15	25	58.8	52.5
New Hampshire	8.81	16.18	20.75	42.73	42.5	37.9	15	22	72.3	51.5
Rhode Island	10.23	16.77	23.49	47.61	43.6	35.2	16	25	68.1	52.5
Vermont	9.10	16.97	23.54	43.02	38.7	39.4	15	20	63.7	46.5
Region II–III:										
Delaware	9.10	14.72	27.06	51.70	33.6	28.5	15	18	55.4	34.8
New Jersey	9.29	19.35	28.79	54.69	32.3	35.4	15	22	52.1	40.2
New York	11.55	18.80	30.13	56.50	38.3	33.3	15	[2] 21	49.8	37.2
Pennsylvania	10.91	17.03	25.25	48.44	43.2	35.2	15	20	59.4	41.3
Region IV:										
District of Columbia	8.59	16.46	26.19	47.64	32.8	34.6	15	20	57.3	42.0
Maryland	8.71	17.60	24.01	46.03	36.3	38.2	15	25	62.5	54.3
North Carolina	4.78	10.97	17.61	38.38	27.1	28.6	15	20	85.2	52.1
Virginia	7.35	12.25	20.98	42.45	35.0	28.9	15	[2] 15	71.5	35.3
West Virginia	7.66	15.22	25.42	53.09	30.1	28.7	15	20	59.0	37.7
Region V:										
Kentucky	7.65	10.70	21.59	43.55	35.4	24.6	15	[2] 16	69.5	36.7
Michigan [1]	11.74	19.62	31.90	57.57	36.8	34.1	16	20	50.2	34.7
Ohio	10.29	17.04	28.48	53.10	36.1	32.1	15	21	52.7	39.5
Region VI:										
Illinois	12.92	18.18	28.96	55.95	44.6	32.5	16	20	55.2	35.7
Indiana	10.92	16.49	26.44	52.03	41.3	31.7	15	20	56.7	38.4
Wisconsin	10.58	16.42	27.74	50.53	38.1	32.5	15	[2] 20	54.1	39.6
Region VII:										
Alabama	6.55	14.36	18.50	41.05	35.4	35.0	15	20	81.1	48.7
Florida	9.42	13.50	19.69	42.87	47.8	31.5	15	15	76.2	35.0
Georgia	6.39	13.06	17.75	39.12	36.0	33.4	15	18	84.5	46.0
Mississippi	6.08	12.16	16.64	34.28	36.5	35.5	15	15	90.1	43.8
South Carolina	6.66	13.45	15.93	37.30	41.8	36.1	15	20	94.2	53.6
Tennessee	7.48	12.69	19.79	40.93	37.8	31.0	15	18	75.8	44.0
Region VIII:										
Iowa	9.25	14.20	23.31	44.73	39.7	31.7	15	20	64.4	44.7
Minnesota	10.07	14.72	25.16	46.10	40.0	31.9	15	20	59.6	43.4
Nebraska	9.18	14.65	23.40	43.34	39.2	33.8	15	18	64.1	41.5
North Dakota	9.39	17.06	22.26	41.84	42.2	40.8	15	20	67.4	47.8
South Dakota	6.95	13.05	22.19	41.76	31.3	31.3	15	20	67.6	47.9
Region IX:										
Arkansas	6.72	13.35	16.15	33.94	41.6	39.3	15	20	92.9	58.9
Kansas	9.00	14.35	22.82	46.10	39.4	31.1	15	18	65.7	39.0
Missouri	8.90	16.47	24.83	46.79	35.8	35.2	15	20	60.4	42.7
Oklahoma	9.79	16.16	25.07	46.63	39.1	34.7	15	18	59.8	38.6
Region X:										
Louisiana	7.50	13.76	21.20	41.06	35.4	33.5	18	18	84.9	43.8
New Mexico	8.90	13.09	20.50	42.32	43.4	30.9	15	20	73.2	47.3
Texas	7.77	13.60	23.51	45.13	33.0	30.1	15	18	63.8	39.9
Region XI:										
Colorado	10.54	14.33	24.99	46.07	42.2	31.1	15	17.50	60.0	38.0
Idaho	11.06	14.86	21.80	44.14	50.7	33.7	18	20	82.6	45.3
Montana	10.61	14.67	26.31	42.70	40.3	34.4	15	18	57.0	42.2
Utah	11.60	22.45	23.73	44.46	48.9	50.5	16	25	67.4	56.2
Wyoming	12.76	18.47	22.28	45.08	57.3	41.0	18	20	80.8	44.4
Region XII:										
Arizona	10.94	14.04	25.09	48.24	43.6	29.1	15	20	59.8	41.5
California	14.26	18.63	30.73	57.46	46.4	32.4	18	[2] 20	58.6	34.8
Nevada [1]	13.16	18.34	26.91	53.87	48.9	34.0	15	20	55.7	37.1
Oregon	12.43	15.62	25.35	53.37	49.0	29.3	15	20	59.2	37.5
Washington	12.22	19.72	26.67	52.23	45.8	37.8	15	25	56.2	47.9
Regions XIII and XIV:										
Alaska	14.50	22.09	32.56	65.68	44.5	33.6	16	25	49.1	38.1
Hawaii	7.60	17.63	19.89	49.39	38.2	35.7	15	25	75.4	50.6

[1] Under the laws in effect on Sept. 15, 1947, in Connecticut, Massachusetts, Michigan, and Nevada, the weekly benefit can be increased above the basic statutory maximum by the payment of an allowance for dependents.

[2] Excludes amendments passed between Sept. 15, 1947, and Apr. 10, 1948, that increased the basic maximum to: $25 in California, effective Jan. 1, 1948; $24 in Connecticut, effective Apr. 4, 1948; $20 in Kentucky, effective Apr. 1, 1948; $22.50 in Maine, effective Apr. 10, 1948; $26 in New York, effective June 7, 1948; $20 in Virginia, effective May 1, 1948; $24 in Wisconsin, effective Jan. 1, 1948.

Content of the Budget

The budget includes the kinds and quantities of goods and services that

[5] Bureau of the Census, *Income of Nonfarm Families and Individuals: 1946* (Current Population Reports, Consumer Income, Series P–60, No. 1, Jan. 28, 1948). It should be noted that such families could have had more than one wage earner. In 1940, four-person families averaged 1.57 labor-force members (*Workers and Dependents in Urban Families*, Social Security Administration, Bureau of Research and Statistics Memorandum No. 64). The 61 percent refers to all urban families of four related persons rather than to those in the 34 cities in which the budget was priced.

families need to live in accordance with standards prevailing in the large cities of the United States. It applies to a family of four persons, including an employed husband, aged 38; a housewife, aged 36 and not gainfully employed; and two children, a boy 13 years old and a girl 8, both in school.

In general, whenever appropriate scientific standards were available, they were used as a starting point in constructing the budget. For foods, the recommendations of the Food and Nutrition Board of the National Research Council set the basic standards of nutritional adequacy. For housing, standards established by the American Public Health Association's Committee on the Hygiene of Housing and by the Federal Public Housing Administration were adopted. The technical standards of nutritional adequacy were then translated into a list of specific foods by reference to the actual buying practices of American families with moderate incomes. For clothing and other goods and services, allowances were established to meet prevailing standards of adequacy, as reflected in family consumption patterns. Here, also, the items and quantities included in the budget were determined on the basis of records of family purchases.

The following items in the budget illustrate its general level. The rented family dwelling has six rooms, including kitchen and bathroom, and is equipped with a gas or electric cook stove, a mechanical refrigerator, and a washing machine. The wife does all the cooking, cleaning, and laundry without paid assistance. The food budget allows the serving of meat for dinner several times a week. The husband can have one heavy wool suit every 2 years, one light wool suit every 3 years, five shirts and two pairs of shoes each year; the wife can buy a heavy wool coat every 4 years, and four dresses and three pairs of shoes each year. In New York, Chicago, and Philadelphia, most of the travel is assumed to be by public transportation; in all other large cities the majority of families are assumed to have a car. The family owns a small radio and attends the movies once in 3 weeks (the son once in 2 weeks). A telephone is not considered essential, but an average of three local calls are made each week. The total of goods and services omits expenditures for Federal and State income taxes, other State and local taxes, dues paid to organizations, contributions to social insurance, and other similar insurance premiums.

When the list of items had been selected the goods and services included in the budget were priced as of March 1946 and June 1947. The cost of goods and services at June 1947 prices is used in the following comparisons, along with the current provisions of State unemployment insurance laws; the important increases in prices since June 1947, especially for food, are not represented in the analysis. Comparisons are, of course, confined to the 34 large cities where the budget was priced. The BLS has also estimated the approximate cost of goods and services for families of other sizes, and comparison is made of the unemployment insurance benefits and the estimated cost of goods and services for one, two, and three-person families.[6]

Weekly Benefit in Relation to the City Worker's Budget

Although the city worker's budget for a family of four persons represents

[6] The BLS estimates that the dollar cost of goods and services for a family of one person is about 46 percent of the cost for a family of four and that the costs for families of two and three persons are 65 and 84 percent, respectively, of the cost for a family of four.

Table 5.—*Comparison of maximum weekly benefit amount, Apr. 10, 1948, with cost of goods and services in the city worker's family budget, June 1947, 34 cities*

State and city	Maximum weekly benefit amount, Apr. 10, 1948 [1]	Ratio (percent) of maximum weekly benefit to weekly cost of all goods and services for family of—				Ratio (percent) of maximum weekly benefit to weekly cost of food, rent, and utilities, for 4 persons
		4 persons	3 persons	2 persons	1 person	
Alabama:						
Birmingham	$20	35.8	42.8	55.0	77.9	63.2
Mobile	20	35.6	42.5	54.6	77.3	61.0
California:						
Los Angeles	25	44.7	53.4	68.6	97.1	82.1
San Francisco	25	43.9	52.4	67.4	95.3	80.5
Colorado: Denver	17.50	31.7	37.9	48.7	68.9	56.5
District of Columbia: Washington	20	33.4	39.9	51.3	72.7	57.9
Florida: Jacksonville	15	27.4	32.8	42.1	59.6	48.9
Georgia:						
Atlanta	18	32.8	39.2	50.4	71.3	57.0
Savannah	18	32.8	39.2	50.4	71.3	56.3
Illinois: Chicago	20	35.1	41.9	53.9	76.2	60.3
Indiana: Indianapolis	20	37.3	44.5	57.3	81.0	66.2
Louisiana: New Orleans	18	34.2	40.9	52.6	74.4	62.2
Maine: Portland	22.50	40.4	48.3	62.1	87.9	70.4
Maryland: Baltimore	25	44.2	52.8	67.8	96.0	76.0
Massachusetts: Boston	[2] 25	43.6	52.1	67.0	94.8	77.0
Michigan: Detroit	[3] 20–28	[3] 35.0–42.0	[3] 41.8–46.0	53.7	76.0	75.5
Minnesota: Minneapolis	20	35.1	41.9	53.9	76.2	61.8
Missouri:						
Kansas City	20	38.0	45.4	58.3	82.5	68.5
St. Louis	20	35.5	42.4	54.6	77.2	61.5
New Hampshire: Manchester	22	40.3	48.2	61.9	87.6	70.6
New York:						
Buffalo	[1] 26	48.1	57.5	73.9	104.6	86.4
New York	[1] 26	44.8	53.5	68.8	97.3	76.9
Ohio:						
Cincinnati	21	38.6	46.1	59.3	83.9	69.4
Cleveland	21	37.7	45.0	57.9	81.9	68.3
Oregon: Portland	20	36.4	43.5	56.0	79.2	66.4
Pennsylvania:						
Philadelphia	20	36.3	43.3	55.7	78.9	63.7
Pittsburgh	20	35.0	41.8	53.8	76.0	62.3
Scranton	20	36.3	43.3	55.7	78.9	64.9
Tennessee: Memphis	18	32.1	38.4	49.4	69.9	56.2
Texas: Houston	18	34.2	40.9	52.6	74.4	61.1
Virginia:						
Norfolk	[1] 20	35.6	42.6	54.7	77.5	63.4
Richmond	[1] 20	35.8	42.8	55.0	77.9	61.9
Washington: Seattle	25	42.6	50.9	65.4	92.5	76.3
Wisconsin: Milwaukee	24	41.8	49.9	64.2	90.8	74.1

[1] $26 maximum in New York becomes effective June 7 and the $20 maximum in Virginia, May 1.

[2] Maximum including dependents' allowances is not shown because it is not an absolute figure; it is limited only in that it cannot exceed the average weekly wage in the 2 quarters of highest earnings.

[3] Smaller figure relates to maximum excluding dependents' allowances, and larger figure to maximum including dependents' allowances for each family size. Family of 3 persons assumed to have 1 child, and of 4 persons, 2 children.

a modest level of living, its cost is substantially above the weekly benefits under unemployment insurance, even when they are at the statutory maximum. As shown in table 5, in none of the 34 cities in which this budget was priced did the maximum weekly benefit equal half the cost of goods and services for a family of four. In Jacksonville the proportion was 27.4 percent, in seven cities it was 31.7–34.2 percent, in 15 cities 35.0–38.6 percent, and in 10 cities 40.3–44.8 percent. Only in Buffalo could the maximum weekly benefit defray as much as 48.1 percent of the cost of goods and services in the budget.

These differences in the ratio of the maximum weekly benefit to the cost of goods and services result largely from differences in the maximum weekly benefit. Five of the seven cities with the highest ratios had a maximum weekly benefit of $25, and two had a maximum of $26, while the city with the lowest ratio had a maximum of $15. The cost of goods and services in the least expensive city was 88 percent of that in the most expensive; the lowest maximum weekly benefit was only 58 percent of the highest maximum benefit (54 percent of the maximum including dependents' allowances in Michigan).

Among families of smaller size, of course, the maximum weekly benefit could meet a larger proportion of the budget costs. For a single person, however, the maximum weekly benefit was sufficiently large in only one of the 34 cities—Buffalo—to fully cover living costs. The ratio of the maximum weekly benefit to these costs was next largest in New York, Los Angeles, Baltimore, San Francisco, and Boston (97.3–94.8 percent). For the majority of the 34 cities in which this budget was priced, however, the ratio ranged between 69.9 and 79.2 percent.

The weekly benefit was not enough to pay for even the essentials of food, housing, and utilities—expenditures that cannot easily be deferred during unemployment—for a family of four persons. The basic maximum weekly benefit could purchase only 48.9 percent of those essentials in Jacksonville. In 22 cities it could purchase 56.2–69.4 percent, and only in three cities—Buffalo, Los Angeles, and San Francisco—could it bring as much as 80.5–86.4 percent.[7]

Dependents' Allowances

In five States—Connecticut, the District of Columbia, Massachusetts, Michigan, and Nevada—the greater cost of basic necessities for larger-size families is met to some extent by the payment of allowances in behalf of certain dependents. These weekly allowances of $1, $2 or $3 per dependent are nominal, however, in relation to the increase in costs as family size increases. In each of the 34 cities the total weekly cost of goods and services increased about $10 with each additional member of the family. In Detroit, for example, where a claimant would receive a $2 allowance for each dependent child, these costs were $26.31 for a person living alone, $37.23 for a family of two persons, $47.87 for three persons, and $57.19 for four persons. Nominal as the $2 allowance for dependents is in relation to these costs, the total allowance for dependents in Michigan could increase the weekly benefit by as much as 47 percent and bring the augmented benefit to 98 percent of previous weekly earnings.

[7] The cost of these items for families of other sizes was not estimated. From table 5, however, it would appear that in most cities the maximum weekly benefit could purchase food, housing, and utilities for persons living alone.

Recent Amendments to the Civil Service Retirement Act

By Robert J. Myers*

Provision of survivor benefits under Federal old-age and survivors insurance in 1939 and under the Railroad Retirement Act in 1946 greatly strengthened and extended the protection given to wage earners and their families. The recent amendments to the Civil Service Retirement Act which, among other liberalizing changes, provided benefits for survivors of Federal employees, are of equal significance to students of social insurance. For that reason, and because the Bulletin carries monthly data on the operations of the Civil Service Retirement Act as a regular part of its reporting on developments in social insurance and allied fields, it offers the following discussion and evaluation of the recent changes in that act.

A SWEEPING REVISION of the Civil Service Retirement Act was effected on February 28, when the President approved Public Law No. 426 amending the provisions of that act. In brief, the major changes in the benefit structure are the introduction of a single, simple, and generally more liberal formula for computing annuity benefits and the provision of benefits for survivors of employees in active service as well as for survivors of annuitants. At the same time, the employee contribution rate was increased from 5 percent to 6 percent, effective in July 1948. Many other changes of importance were made—some liberalizing benefits and others simplifying administrative procedure.

This article discusses in detail the revised system and also indicates how the amendments have changed certain of the previous provisions.[1] In addition, it presents tables of illustrative benefits and certain actuarial analyses of the elective options offered and the over-all cost of the program. Certain minor points, such as the application of the system to legislative employees, have been omitted, as have such administrative details as the payment of

* Actuarial Consultant, Social Security Administration.

[1] A brief summary of the amendments appeared in the *Bulletin*, March 1948, p. 33. For a discussion of the former provisions, see the *Bulletin*, April 1941, pp. 29–42, and February 1942, pp. 77–79.