

Postwar Changes in the Income Position of the Aged

by JACOB FISHER *

POSTWAR changes in the social security program have taken place against a background of rising prices and declining employment opportunities for older workers. The effect on the economic status of the aged deserves close scrutiny. To what extent have higher living costs and the drop in the relative number of aged earners offset benefit increases in old-age and survivors insurance and the related programs for railroad and Government workers, as well as the gains afforded by the coverage extension and new-start provisions of the 1950 amendments to the Social Security Act? Is the income¹ of the average aged person keeping pace with living costs? Is he better off or worse off than he was in 1945? In comparison with other groups in the population are the aged holding their own? Has their share in total consumer income changed since the war and in what direction? The present article considers these questions.

Changes in average income are in-

* Division of Research and Statistics.

¹ The word "income" as used in this article refers to money income and excludes income in kind, such as the value of home-grown produce or contributions of food or clothing, as well as the imputed income derived from free or contributed shelter or home ownership. The income data from the Bureau of the Census represent income from money wages or salary; net income from self-employment; net income from rents; royalties; receipts from roomers and boarders; interest, dividends, and periodic income from estates and trust funds; public or private assistance; periodic benefits from social insurance or related programs; private pensions; Armed Forces' dependency allotments; regular money contributions from friends or relatives; and periodic payments from insurance policies or annuities. These data exclude money received from sale of property, unless the recipient is in the business of selling such property; bank withdrawals; borrowings; tax refunds; gifts; and lump-sum inheritances or insurance payments. (Bureau of the Census, *Current Population Reports, Consumer Income*, Series P-60, No. 14, pp. 5, 6.)

fluenced by changes in the amount of income derived from a particular source, changes in the proportion of persons with income from different income sources, and changes in the relative number of persons with any income at all. In recent years the average wage earner has experienced a marked rise in money income because of full employment and the gain in wage rates. Some types of income, irrespective of fluctuations in average size from year to year, tend to yield higher incomes than do others. Earned income, in general, is higher than income from public assistance or from social insurance benefits. If significantly large numbers of people shift from one type of income to another, a change in average income may follow even if the average income from each of the two sources

remains constant. The increase in recent years in the relative number of retired workers with social insurance income and the concurrent decrease in the relative number of aged persons receiving earnings may be expected to have had a depressing effect on the average income of the aged. Higher earnings on the part of aged persons still at work, on the other hand, and higher benefit and assistance payments were influences in the other direction, as was the measurable decline in the proportion with no income.

Relative Importance of Income Sources

Until 1953, the largest single source of income for the aged was employment. Between 1946² and 1952, however, the average monthly number of earners among men aged 65 and over declined from 47 percent to 42 percent. A partial offset to this loss was the rise from 8 percent to 9 percent in the proportion of earners among aged women (table 1).

Information is lacking on changes in the relative number of aged persons with income from dividends, interest, rents, and other forms of property income. The number of social insurance beneficiaries and old-age assistance recipients is, of course, known. The proportion of older persons receiving old-age and survivors insurance benefits rose from 9 percent in 1946 to 26 percent in 1952. The increase was partly the result of declining work opportunities for the aged, in relation to their numbers, and partly the result of the growth—accelerated by the new-start provisions in the 1950 amendments—in the

Table 1.—Percent of population with income from selected sources, 1946 and 1952

Income source and age	1946	1952
Employment ¹		
Men:		
Aged 14 and over.....	50	52
Aged 65 and over.....	47	42
Women:		
Aged 14 and over.....	30	33
Aged 65 and over.....	8	9
Social insurance and related programs ²		
All programs, total population.....	6	7
Old-age and survivors insurance, aged 65 and over.....	9	26
Public assistance ³		
All programs, total population.....	3	4
Old-age assistance, aged 65 and over.....	20	19

¹ Average monthly employment, counting membership in the Armed Forces as employment, as a percent of total noninstitutional population. (Bureau of the Census, *Current Population Reports, Labor Force*, Series P-50, Nos. 2, 40, 45.)

² Average monthly number of beneficiaries of social insurance and related programs in relation to estimated midyear population, and December count of public assistance recipients in relation to estimated population in that month. (*Social Security Bulletin*, Sept. 1953, pp. 24 and 49; Bureau of the Census, *Current Population Reports, Population Estimates*, Series P-23, Nos. 71, 72, 73, and unpublished data.)

³ In this section, 1948 is used as the base year from which to measure postwar changes rather than, as in the other sections, 1946. The latter year is unsatisfactory for charting trends because of the abnormal size and composition of the labor force in the last year of the war.

number of aged persons with fully insured status. Aged beneficiaries of the special retirement systems for railroad and Government workers and of the veterans' program comprised 6 percent of the aged population in 1946 and 8 percent in 1952. The proportion of old-age assistance recipients held fairly stable during these years—20 percent in 1946 and 19 percent in 1952 (table 1).

In contrast to the decline in employment among aged men, the relative number of male earners in the total male population aged 14 and over increased between 1946 and 1952 from 80 percent to 82 percent, while the proportion of earners among women aged 14 and over went up from 30 percent to 33 percent. Beneficiaries of social insurance and related programs increased from 6 percent to 7 percent of the total population, and public assistance recipients from 3 percent to 4 percent, but these changes as may be expected had less effect on the average income of the population as a whole than the gain in the proportion of earners.

In summary, the changes that took place from 1946 to 1952 in source-of-income patterns may be said to have increased the relative number of persons in the general population deriving income from earnings—a high-income source—but to have decreased the relative number of aged persons with such income. In the same period the proportion of aged persons dependent in whole or part on social insurance and related benefits—a source yielding a low average income—almost tripled.

Income from Particular Sources

Changes in average income received by aged persons from particular sources are known for three types of income—earnings in employments covered under old-age and survivors insurance, social insurance benefits, and old-age assistance. Between 1945 and 1950, the last year for which these data have been tabulated, the median annual earnings of workers past age 65 employed in industry covered by old-age and survivors insurance increased 39 percent. The average monthly benefit paid under old-age and survivors insurance to a

Table 2.—Average income from selected sources, by selected population group, 1945-53

Population group and income source	1945	1946	1947	1948	1949	1950	1951	1952	1953
Total population, per capita personal income ¹	\$1,229	\$1,237	\$1,325	\$1,329	\$1,360	\$1,495	\$1,648	\$1,718	\$1,780
Earners in the population:									
Average annual earnings per full-time employe ²	2,207	2,368	2,508	2,809	2,862	3,018	3,251	3,423	(³)
Gross average weekly earnings, production workers in manufacturing	44.39	43.82	49.97	54.14	54.92	56.33	54.71	67.97	71.63
Earners in employments under old-age and survivors insurance:									
Median annual covered earnings: ⁴									
All earners	1,159	1,276	1,570	1,772	1,821	1,920	2,100	2,150	(⁵)
Earners aged 65 years and over	1,363	1,400	1,502	1,778	1,751	1,900	(⁶)	(⁶)	(⁶)
Beneficiaries of social insurance and related programs:									
Average monthly benefit, June:									
Old-age and survivors insurance, retired workers ⁷	23.94	24.43	24.73	25.13	25.72	26.30	42.57	41.98	50.42
Railroad retirement, retired workers ⁸	67.07	67.70	71.05	70.13	83.61	83.00	82.51	95.34	95.71
Federal civil service, retired workers ⁹	80.58	81.08	77.42	80.25	90.17	93.75	96.08	99.00	115.00
Veterans Administration, Spanish-American War veterans ¹⁰	71.77	72.08	74.86	91.20	91.67	92.13	92.44	98.09	100.50
Recipients of old-age assistance, average monthly payment, June ¹¹	29.48	31.48	36.04	38.15	43.60	43.85	43.28	45.19	48.74
	Index numbers (1945 = 100)								
Total population, per capita personal income	100	102	108	116	112	122	134	140	145
Earners in the population:									
Average annual earnings per full-time employe	100	107	118	127	130	137	147	155	(³)
Gross average weekly earnings, production workers in manufacturing	100	99	113	122	124	134	146	153	161
Earners in employments under old-age and survivors insurance:									
Median annual covered earnings:									
All earners	100	110	135	153	157	166	181	186	(⁵)
Earners aged 65 years and over	100	103	118	130	128	139	(⁶)	(⁶)	(⁶)
Beneficiaries of social insurance and related programs:									
Average monthly benefit, June:									
Old-age and survivors insurance, retired workers	100	102	103	105	113	110	178	175	211
Railroad retirement, retired workers	100	101	106	105	125	124	123	142	143
Federal Civil Service, retired workers	100	101	96	111	112	116	119	123	143
Veterans Administration, Spanish-American War veterans	100	102	104	127	128	128	129	130	140
Recipients of old-age assistance, average monthly payment, June	100	107	122	130	148	149	147	153	165

¹ Estimated from Department of Commerce data on personal income and population; 1953 estimate is preliminary.

² *Survey of Current Business*, July 1953, p. 20; *National Income*, 1951 edition, p. 185.

³ Not available.

⁴ *Monthly Labor Review*, Dec. 1953, p. 1370. The average for 1953 is for June. For earlier years the annual average is given.

⁵ Bureau of Old-Age and Survivors Insurance, *Quarterly Summary of Wage, Employment and Benefit Data*, Aug. 1953, tables 13 and 14, and unpublished data.

⁶ *Social Security Bulletin*, August 1945-49 and September 1950-53.

⁷ Employees annuities only. (Railroad Retirement Board, *Annual Report*, 1953, p. 224; 1953 data from *Monthly Review*, Aug. 1953, p. 158.)

⁸ U.S. Civil Service Commission, *Retirement Report*, 1961, p. 14, and unpublished data. Derived from average annual annuity rate in effect at end of June of given year.

⁹ Derived from average annual value of compensation, pension, disability allowances, and retirement pay at the end of June of given year. (Veterans Administration, *Annual Report*, 1952, p. 133.)

retired worker went up 111 percent between June 1945 and June 1953. Increases ranging from 40 percent to 43 percent took place in the average benefits paid to aged and disabled beneficiaries of the retirement programs for railroad and Federal Government workers and to Spanish-American War veterans under the veterans' pension and compensation program. The higher benefits reflected one or more statutory increases in benefit scales since the war and, to a lesser extent, the higher

earnings of the more recently retired workers. The average old-age assistance payment rose 65 percent over the same 8 years as the result of State and local agency adjustments to meet rising prices and of increased Federal sharing in individual payments (table 2).

With some exceptions, similar data are not readily at hand for the population as a whole. Average weekly earnings of production workers in manufacturing increased 61 percent between 1945 and 1953, while the

Table 3.—Median income of persons with income and consumer price index, 1945-52

Year	Median income ¹					Consumer price index ² (1945=100)
	Population aged 14 and over		Population aged 65 and over		Per- cent of me- dian income of popu- lation aged 14 and over	
	Amount	Index (1945=100)	Amount	Index (1945=100)		
	1945....	\$1,360	100	\$574		
1946....	(?)		(?)			108
1947....	1,800	132	790	138	44	124
1948....	1,905	140	810	141	45	134
1949....	1,825	134	770	134	42	132
1950....	1,971	145	765	133	39	134
1951....	2,200	162	781	136	36	144
1952....	2,315	170	888	155	38	148

¹ Partly estimated from data in Bureau of the Census, *Current Population Reports, Consumer Income, Series P-60*.

² Derived from consumer price index of the Bureau of Labor Statistics, *Monthly Labor Review*; represents average for year.

³ Not available.

average annual earnings of full-time employees, as reported in the Department of Commerce statistical series, went up 55 percent in the period 1945-52. Median annual earnings in employments covered under old-age and survivors insurance were 81 percent higher in 1951 than in 1945. This average, however, is affected by shifts in the proportion of time the average worker spent in covered employment and is not strictly comparable to the other two figures just mentioned. Aggregate personal income derived from dividends rose 94 percent from 1945 to 1952; from interest on bank holdings and other securities, 78 percent; and from business and rental properties, 36 percent.⁴ Since the number of recipients of such forms of income is not known, however, trends in average income from each of these sources cannot be developed. Per capita, personal income from all sources combined moved up 45 percent between 1945 and 1953.

To sum up, it would appear that the postwar increase in average income derived from earnings was probably higher for the population as a whole

⁴ *Survey of Current Business*, July 1953, p. 13.

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than for aged workers. The increase in the average benefit paid retired workers under old-age and survivors insurance and in the average old-age assistance payment were at a rate greater than the percentage increase in national per capita income, while the increases in the benefits to retired Federal workers, retired railroad workers, and certain aged veterans were, on the other hand, of approximately the same size.⁴

Net Effect of Changes

The net effect of the changes in source-of-income patterns since 1945 and in average income from each of these sources is reflected in tables 3 and 4. These data, derived from the Bureau of the Census annual sampling of the income of individuals and families in the United States, indicate that the income of the average aged person with income increased between 1945 and 1952 but that the increase was proportionately less than that for all persons with income. The disparity developed in 1950 and 1951, since through 1949 the rate of increase in average income was approximately the same for aged income recipients and for persons of all ages with income.

Table 4.—Median income of all families and of families with head aged 65 and over, 1947-51

Year	Median income				
	All families		Families with head aged 65 and over		As per- cent of median income of all families
	Amount	Index (1947=100)	Amount	Index (1947=100)	
1947....	\$3,031	100	\$1,828	100	60
1948....	3,187	105	1,907	104	60
1949....	3,107	103	1,863	103	61
1950....	3,319	110	1,903	104	57
1951....	3,709	122	1,950	107	53

Source: Bureau of the Census, *Current Population Reports, Consumer Income, Series P-60*.

The changing rates in 1950 and 1951 coincided with a sharp upward

⁴ Throughout the article the changes discussed are in terms of current dollars. They would have different magnitudes if they were adjusted for changes in consumer prices. The relationships would, however, be essentially the same.

Table 5.—Percent of civilian noninstitutional population with income, persons aged 14 and over, and persons aged 65 and over, 1947-52¹

Year	Income recipients as percent of all persons aged 14 and over	Income recipients aged 65 and over		Popu- lation aged 65 and over as percent of popu- lation aged 14 and over
		As per- cent of all persons aged 65 and over	As per- cent of income recipients aged 14 and over	
1947....	63.6	64.6	10.5	10.3
1948....	64.7	68.2	11.2	10.6
1949....	65.5	69.3	11.5	10.8
1950....	65.3	70.8	12.0	11.2
1951....	65.3	70.9	12.3	11.4
1952....	68.0	74.6	12.7	11.6

¹ Estimated from Bureau of the Census, *Current Population Reports, Consumer Income, Series P-60* and unpublished data.

turn in the relative number of aged beneficiaries of old-age and survivors insurance. In conjunction with the moderate decline in the proportion of earners among the aged and a smaller rise in their average earnings than in those of younger workers, the expansion in the relative number of aged persons with social insurance income seems to have depressed the economic position of aged income recipients in comparison with that of all persons with income. The substantial increase in the average old-age and survivors insurance benefit in 1951 offset only a small part of the loss incurred as a result of these factors.⁵

The slower growth in the income of the aged is also apparent when comparisons are made between trends in the median income of individuals and in the movement of consumer prices. For all persons with income the rise in median income from 1945 to 1952, when expressed as an index with 1945 equaling 100, exceeded by about 22 points the rise in the consumer price index of the Bureau of Labor Sta-

⁵ Comparisons among age groups with respect to median income in any given year are affected by age differences in the extent of under-reporting of income. The Census data are based on interviews. Memory is least reliable where small or irregular money receipts are involved, and understatement of income may therefore be more common among the aged than among other age groups. This qualification does not, however, affect the validity of the analysis, which is concerned with changes in size of income relationships over a period of time rather than with the size of income differences in any one year.

tistics. For 1952, the median income of aged persons with income, on the same base, was only 7 points ahead of the rise in the consumer price index, although it had fallen behind by 8 points in 1951 (table 3).

Number of Persons with Income

The discussion in the preceding sections is confined to persons with income. If the analysis is extended to take in persons with no income, another factor is added, since changes in the average income of a given age group will differ for such persons with income and for all persons in the age group if the ratio of income recipients to the total changes significantly.

Bureau of the Census data on income distribution show a gradual increase in recent years in the relative number of aged persons with income. In 1947, persons with money income comprised 65 percent of all persons aged 65 and over in private households. By 1952 the proportion had risen to 75 percent. This increase is consistent with the observed rise over these years in the relative number of aged persons receiving old-age and survivors insurance benefits, which exceeded by a considerable margin the decline in the relative number with employment income.

Since the proportion of persons with income in the population aged 14 and over remained at approximately the same level—64-68 percent—throughout this period, it may be presumed that the relative number of income recipients in the ages under 65 declined somewhat. The ratio of aged among all persons with income rose over these 7 years from 11 percent to 13 percent. Some of this growth was due, no doubt, to the increase in the relative number of aged persons in the population. A comparison of the last two columns in table 5 indicates, however, that this factor is responsible for only part of the rise.

Table 6.—Population aged 65 and over as percent of civilian noninstitutional population aged 14 and over, and their share in aggregate personal income, 1947-52¹

Year	Persons aged 65 and over		Ratio of relative share of aggregate income to relative number in the population ² (1947=100)
	Percent of population aged 14 and over	Aggregate income as percent of aggregate income received by total population aged 14 and over ³	
1947.....	10.3	7.1	100
1948.....	10.6	6.7	91
1949.....	10.8	7.2	97
1950.....	11.2	7.3	94
1951.....	11.4	7.0	88
1952.....	11.6	7.8	97

¹ Estimated from the Bureau of the Census, *Current Population Reports, Consumer Income*, Series P-30.

² Aggregate income estimated according to method described in Bureau of the Census release, Series P-60, No. 11, pp. 16 and 17.

³ Ratio of column 2 to column 1.

With respect, then, to 1947-52 changes in the relative number of persons with money income, the conclusion seems warranted that the aged did slightly better than the population as a whole.

Aged Persons' Share in Aggregate Personal Income

How did the aged fare when account is taken of the three factors influencing changes in income position—shifts in source-of-income patterns, in size of income from particular sources, and in relative numbers with any income at all?

One way of measuring the combined effect is to compare changes in income aggregates and in population. Between 1947 and 1952 the aggregate income received by persons aged 65 and over appears to have risen at a slightly more rapid rate than the aggregate income received by persons of all ages. In 1947 about 7 percent went to aged individuals and in 1952 about 8 percent (table 6). The aged population, however, increased some 17 percent, while the total population aged 14 and over gained only 5 per-

cent. The result is, in effect, a rise of about 31 percent in income per person in the total population aged 14 and over and of about 29 percent in the income per person in the population aged 65 and over. In other words, while the economic status of the average aged person improved between 1947 and 1952, the improvement was a little less marked for him than for a younger adult. His share in total consumer income declined slightly, and, in relation to other groups in the population, his position was somewhat poorer in 1952 than in 1947. That it was not worse was due to a fairly large gain in 1952 in both average income and in the relative number of aged persons with income. In the intervening years, the data suggest, the share of the aged in total consumer income had declined significantly.

Summary

Since the war the relative number of aged persons with income from employment has declined, while the proportion with income from social insurance benefits has increased. Despite the fact that social insurance benefits yield a lower average income than do earnings, the average aged person's income in 1952 was higher in both current dollars and dollars of stable purchasing power than it was in 1945. The improvement is the result of several factors, including larger earnings by aged workers, increased benefits paid retired workers and their aged survivors under social insurance and related programs higher old-age assistance payments and the rise in the relative number of persons with money income. The growth in the average aged person's income, however, has been at a rate lower than that of the average income of the population as a whole. As a result the average person has had a smaller share in total consumer income in each of the years since 1945 than he had in that year.