

The Comparability of Public Assistance Payments and Social Insurance Benefits

By Jacob Fisher*

THE FACT THAT the average old-age assistance payment has been higher than the average primary insurance benefit for the past 2 years is occasionally offered as a commentary on the relative "adequacy" of the two programs. State averages in the two programs, similarly, are sometimes set down together to point up the smallness of the assistance average in some States or of the insurance benefit in others. Implicit in such comparisons is the assumption that the two averages are comparable, either in the purpose of the payment or its significance to the payee. To what extent is this assumption tenable?

The present article examines data recently made available on the personal characteristics and income of insurance beneficiaries and assistance recipients in Philadelphia and St. Louis, with a view to appraising the significance of the benefit or the assistance payment to them. The information on insurance beneficiaries is derived from the study conducted by the Bureau of Old-Age and Survivors Insurance in seven cities in 1941 and 1942,¹ that on recipients of old-age assistance and aid to dependent children, from special tabulations prepared on request by the Pennsylvania Department of Public Assistance and the Missouri State Social Security Commission.² For Philadelphia the public assistance data relate to December 1941, the insurance data, to a 12-month period ending between

May 1941 and July 1941. In St. Louis the assistance data are for October 1942, the insurance data, for 12 months ending in either October or November 1941. The extent to which these variations in time may have influenced the findings on income is discussed later.

Personal and Family Characteristics

In both Philadelphia and St. Louis, insurance beneficiaries and public assistance recipients were strikingly unlike in the relative number of men and women receiving payments, in race, and in family size.

Sex.—Since relatively few women in their sixties are members of the labor force, most of the workers who qualified for old-age insurance benefit were men. Men comprised 84 percent of the primary beneficiaries in Philadelphia and 86 percent in St. Louis. Among old-age assistance recipients, on the other hand, the sex distribution tends to follow that of the aged population in the city as a whole. Only 45 percent of the Philadelphia and 43 percent of the St. Louis recipients were men.

The contrast is somewhat reduced, of course, when account is taken of the entitled wives of primary beneficiaries. Including such wives, the proportion of women among aged insurance beneficiaries rises from 16 to 33 percent in Philadelphia and from 14 to 33 percent in St. Louis.

Sex	Census ¹	Old-age assistance	Old-age insurance
Philadelphia			
Total.....	100	100	100
Male.....	41	45	81
Female.....	59	55	19
St. Louis			
Total.....	100	100	100
Male.....	41	43	86
Female.....	59	57	14

¹ Persons aged 65 and over, 1940.

Race.—Relative to their numbers in the population, Negroes were over-

represented on the assistance rolls and underrepresented on the insurance rolls. In both cities, about three times as many Negroes were receiving old-age assistance as might have been anticipated from their proportion in the population aged 65 and over; among primary insurance beneficiaries, by contrast, there were only half as many. Somewhat similar contrasts are presented by families receiving aid to dependent children as compared with families containing widows and children entitled to survivor benefits.

Race	Census ¹	Old-age assistance	Old-age insurance	Census ²	Aid to dependent children	Survivor insurance
Philadelphia						
Total...	100	100	100	100	100	100
White.....	93	76	96	71	31	92
Nonwhite...	7	24	4	29	69	8
St. Louis						
Total...	100	100	100	100	100	100
White.....	92	74	96	70	35	86
Nonwhite...	8	26	4	30	65	14

¹ Persons aged 65 and over, 1940.

² Families with female heads and 1 or more children, 1940.

The small proportion of Negroes among insurance beneficiaries reflected, of course, their special handicaps in qualifying for benefit. Relatively more Negro than white workers are in domestic service and other non-covered occupations. Negroes, in addition, tend to have somewhat longer spells of unemployment and are less likely, therefore, to acquire sufficient quarters of coverage to qualify for benefit.

Family Size

In both Philadelphia and St. Louis, families with primary beneficiaries tended to be larger than families with old-age assistance recipients. Sixty-five percent of the old-age assistance families in Philadelphia and 48 percent in St. Louis were one-person families, as compared with 19 and 17 percent, respectively, of the primary beneficiary families. In both cities, two-person families were relatively more numerous among insurance beneficiaries, and families of three or more persons were encountered almost twice as frequently among insurance beneficiaries in St. Louis

*Bureau of Research and Statistics, Division of Coordination Studies.

¹ For a discussion of the findings from the surveys, see the *Bulletin*, July 1943, pp. 3-20, and September 1943, pp. 3-17.

² The data are derived from samples— for old-age and survivors insurance, 32-34 percent of the primary awards and 41 percent of the widow-child entitled awards made in the first half of 1940 in Philadelphia, and 48 and 52 percent, respectively, of the awards in the calendar year 1940 in St. Louis; for public assistance, 5 percent of the households getting public assistance in Philadelphia in December 1941, and 7 and 12 percent, respectively, of old-age assistance and aid to dependent children cases in St. Louis in October 1942. So far as can be judged from an examination of the schedules and instructions, the terms "family," "children," and "income" (except as qualified) have approximately the same meaning in all 4 sets of data.

Table 1.—Percentage distribution of families including old-age assistance recipients or old-age insurance beneficiaries, by size of family

Size of family	Philadelphia		St. Louis	
	Old-age assistance	Old-age insurance	Old-age assistance	Old-age insurance
Total, number of persons in sample.	18,522	400	823	611
Total, percent. . . .	100	100	100	100
1 person	65	19	48	17
2 persons	22	32	28	41
3 or more persons	13	49	24	42

and almost four times as frequently among beneficiaries in Philadelphia (table 1).

The greater frequency of one-person families among recipients of old-age assistance is related in part to the selective character of the eligibility conditions. Unattached individuals and persons from broken families are much more likely to be without resources, i. e., to be needy, than members of normal family units, and relatively more of them may be expected on the old-age assistance rolls than in the general population. Some agency policies have the effect of encouraging separate living arrangements for the aged. If, in determining need, requirements and resources are measured on a family basis, an aged applicant may find himself ineligible for aid when living in a family group but eligible when living alone.

Another factor making for small families among assistance recipients is the association of age of family head and size of family, noted in the Board's family-composition study. That study found that the proportion of family heads that were members of one-person families increased in Philadelphia from 39 percent in the age group 65-69 to 63 percent in the age group 80 and over; in St. Louis, from 37 percent to 60 percent.³ At the time of the old-age and survivors insurance survey, a majority of the primary beneficiaries in both cities were aged 65 and 66. No data are at hand on the average age of old-age assistance recipients, but it could not have been very much below the

³ Table 10 in Vol. 6 (Philadelphia) and in Vol. 8 (St. Louis), *Statistics of Family Composition in Selected Areas of the United States, 1934-36*, Bureau Memorandum No. 45, Bureau of Research and Statistics, 1942.

estimated average of 75 years for the country as a whole.

Fewer contrasts in size of family are presented by families with child beneficiaries or recipients. Two-person families were relatively more numerous among assistance families in Philadelphia, but about equally represented in St. Louis. Families with five or more persons accounted for 29 percent of the assistance families and 28 percent of the insurance families in Philadelphia; in St. Louis the proportions were 43 and 33 percent. The number of persons in the median family with survivor benefits was four in both cities; it was three in the median assistance family in Philadelphia and four in the median assistance family in St. Louis (table 2).

Program differences in eligibility would lead one to expect that families receiving aid to dependent children would be somewhat larger. Children receiving survivor benefits have lost their father. Children with an incapacitated father in the home, on the other hand, may be eligible for aid to dependent children in both Pennsylvania and Missouri. In Pennsylvania incapacity is defined to cover any condition, total or partial, expected to last 3 months or longer, which renders the parent unemployable during this period or employable only in an occupation not at present available, or, if he is employed or engaged in an enterprise with earnings insufficient to support his family, which handicaps him in obtaining more remunerative work or in supplementing his earnings by employment in other fields. Under this broad definition, a rather substantial proportion of children who qualify for aid have the father in the home. Missouri does not specify a minimum duration for incapacity, leaving this question for determination by local units. The father was present in 10 percent of the St. Louis sample families.

The presence of the father in some assistance families may be somewhat offset in the comparison by the greater likelihood that the family with survivor benefits will have earners as members. Employment of family members may disqualify a family for assistance but could have no effect upon eligibility for survivor benefits except for earnings of the beneficiaries themselves in covered employment. In St. Louis, 60 percent of the insurance families included persons other

Table 2.—Percentage distribution of families receiving aid to dependent children and families of widow and entitled children receiving survivor benefit, by size of family

Size of family	Philadelphia		St. Louis	
	Aid to dependent children	Survivor insurance	Aid to dependent children	Survivor insurance
Total, number of persons in sample.	16,140	64	333	120
Total, percent. . . .	100	100	100	100
2 persons	28	16	14	13
3 persons	25	28	24	33
4 persons	18	28	10	21
5 or more persons	20	28	43	33

than beneficiary children and mother; the corresponding ratio for assistance families was 56 percent.

Income

Probably the most striking contrast between insurance beneficiaries and assistance recipients is in their income levels.⁴ In both Philadelphia and St. Louis the average beneficiary family reported a substantially higher income than the average assistance family. The excess is not due to the insurance benefit but to other sources of family income. In Philadelphia, as a matter of fact, the average income from insurance benefit was somewhat below the average from public assistance.

In both cities, families containing old-age assistance recipients had a median monthly income of \$30-40 from all sources (table 3). The median for families containing primary insurance beneficiaries was \$75-100 in St. Louis and more than \$100 in Philadelphia. Data available only for Philadelphia show a similar margin of difference in families with recipient or beneficiary children; the median was \$40-50 in families receiving aid to de-

⁴ The income referred to, with few exceptions, is cash income. The insurance beneficiary study put a cash value on rental paid by a relative outside the household, on regularly contributed clothing, meals regularly taken at a relative's, and on rent or food received as wages. Such income in kind was reported, however, in perhaps 1 case in 20 and would not seriously affect the comparison. The public assistance studies counted only income received in cash. It is not known how many public assistance families also received income in kind or how significant such income may have been to them.

pendent children but more than \$100 in families of widows with entitled children.

Income From Public Assistance and Old-Age and Survivors Insurance

Insurance and assistance families are much more alike in the size of the payment received than in the amount of income from other sources. Benefits (primary and supplementary) of families containing primary beneficiaries averaged \$25 per month in both Philadelphia and St. Louis. Old-age assistance payments averaged \$26 in Philadelphia and \$16 in St. Louis. Families containing widows with entitled children received an average monthly benefit of \$40 in both cities, while the average monthly payment for aid to dependent children was \$41 in Philadelphia and \$32 in St. Louis.

The principal reason for the uniform amount of the average insurance benefit in the two cities is the national

character of the insurance program. Benefits in every part of the country are awarded under one law, one policy, one set of rules and regulations. The variables are the wage level in covered employment, length and regularity of such employment, and number of family members entitled to benefit on the same wage record. The influence of variations in wages and employment is, however, minimized by the benefit formula. Other factors making for uniformity in the Philadelphia and St. Louis averages are the similar incidence of female primary beneficiaries (16 and 15 percent, respectively) whose generally lower benefit tends to reduce the average, and of male primary beneficiaries with entitled wives (32 and 33 percent, respectively), and the circumstance that the survivor families in both cities tended to have the same average number of entitled persons.

Assistance payments, by contrast,

are based on individual need, and vary widely. Among families within a given jurisdiction they will vary to the extent that requirements and resources vary. Among jurisdictions, payments are influenced by variations in the recognition and measurement of requirements and resources, in the content and cost of living, in the availability of funds, and in willingness to appropriate money for public assistance.

During the period covered by the surveys, both the Philadelphia and the St. Louis public assistance agencies were using the State budget guide to measure requirements and resources. The two guides differed in the specific requirements taken into account, the amounts allowed for the same requirements, the treatment of requirements shared with other family members, and the criteria followed in establishing the applicant's resources.

Other differences also affected payments. In Pennsylvania the maximum age for aid to dependent children was 15 (17 if attending school), in Missouri 13 (15 if attending school). The maximum old-age assistance payments in Pennsylvania during the survey month were \$30 for one eligible person, \$50 for an eligible man and wife. Maximums in Missouri were \$30 and \$45. Pennsylvania imposed maximums on payments for aid to dependent children that varied among counties according to cost-of-living areas. The maximum allowances in effect in Philadelphia in December 1941 were \$34.75 for a two-person case, \$44.10 for a three-person case, and so on, up to \$88.00 for families of 10 or more persons.

The maximums in Missouri were \$18 for the first child and \$12 for each additional child, up to a family maximum of \$60. The effect of these maximums was particularly noticeable in families with one eligible child, in which the requirements as measured by the State manual totaled at least \$16.35 for food alone (infant and grantee woman relative), leaving only \$1.65 for shelter, clothing, and other necessities.

Inadequate State appropriations led Missouri to reduce old-age assistance grants by 30 percent in July 1941 for all recipients except those in boarding, nursing, and convalescent homes. The cuts were not restored until November and December 1942 and were in effect in the survey month.

Table 3.—Percentage distribution of families by amount of income from public assistance or old-age and survivors insurance and from other sources

Monthly income	Philadelphia		St. Louis		Philadelphia		St. Louis	
	Families containing aged persons receiving income from—				Families containing children receiving income from—			
	Old-age assistance	Old-age insurance	Old-age assistance	Old-age insurance	Aid to dependent children	Survivor insurance	Aid to dependent children ¹	Survivor insurance
All sources.....	100.0	100.0	100.0	100.0	100.0	100.0	-----	100.0
Less than \$10.....	1.4	1.3	17.3	1.4	.1	-----	-----	-----
10.00-19.99.....	39.1	7.0	32.2	6.0	1.0	-----	-----	.8
20.00-29.99.....	30.3	10.0	14.0	8.6	28.6	-----	-----	3.3
30.00-39.99.....	13.8	8.3	7.0	10.9	23.9	-----	-----	8.3
40.00-49.99.....	0.1	11.2	9.0	14.5	33.9	-----	-----	15.0
50.00-74.99.....	4.4	10.7	5.2	10.0	10.4	-----	-----	13.3
75.00-99.99.....	1.0	51.5	14.8	47.7	2.0	-----	-----	59.2
100.00 or more.....	-----	-----	-----	-----	-----	-----	-----	-----
Public assistance or old-age and survivors insurance ²	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less than \$10.....	1.8	*3.5	4.5	*7.4	.0	-----	-----	.8
10.00-19.99.....	7.9	26.0	41.1	24.8	3.6	0.3	38.9	1.7
20.00-29.99.....	40.1	44.7	30.0	35.0	5.6	9.4	5.1	8.3
30.00-39.99.....	33.0	18.0	10.4	21.4	32.4	32.8	25.4	15.0
40.00-49.99.....	11.3	6.5	2.7	7.8	25.0	34.4	15.2	30.8
50.00-74.99.....	4.8	1.3	1.0	2.8	28.3	17.2	-----	17.5
75.00-99.99.....	.5	-----	.5	.2	4.2	-----	-----	25.0
100.00 or more.....	-----	-----	-----	-----	-----	-----	-----	1.7
All other sources.....	100.0	100.0	100.0	100.0	100.0	100.0	-----	100.0
None.....	76.4	2.3	41.2	2.7	74.0	6.3	-----	6.7
Less than \$10.....	6.6	7.5	14.5	7.0	4.9	12.5	-----	6.8
10.00-19.99.....	6.2	10.5	10.2	11.0	5.9	6.3	-----	7.5
20.00-29.99.....	2.2	7.5	0.8	8.9	4.0	3.1	-----	8.3
30.00-39.99.....	1.6	5.2	3.5	0.1	2.2	3.1	-----	3.3
40.00-49.99.....	1.2	4.8	2.8	4.8	1.4	12.5	-----	5.0
50.00-74.99.....	3.0	10.0	5.0	10.5	4.0	10.0	-----	18.3
75.00-99.99.....	1.7	10.2	3.0	7.7	.4	0.4	-----	10.0
100.00 or more.....	.5	42.0	13.0	40.4	.4	35.0	-----	35.0

¹ White families only, data available for income from public assistance only.

² Income included in this section is from public assistance for public assistance families, from old-age and survivors insurance for beneficiary families. Insurance benefit income received by public assistance families and public assistance income received by beneficiary families are included in section "All other sources." Public assistance income is from all forms of public assistance including the 3

special types, general assistance, food stamp plan, and Federal work programs. (Income from Federal work programs received by public assistance families was classified by the Philadelphia agency, however, as income from other sources.)

³ Minimum primary benefit is \$10. Families with average insurance income of less than \$10 per month experienced benefit suspensions for varying periods because of earnings of \$15 or more in covered employment.

Among the specific factors affecting the relation of average insurance benefit and average assistance payment within the same city were, first, the fixed ranges within which payments could be made. Under old-age and survivors insurance, the minimum benefit is by statute \$10. The maximum benefit in 1940 could not have exceeded \$41.60 for a primary beneficiary;⁵ \$62.40 for a primary beneficiary and entitled wife;⁶ \$83.20 for a total family benefit to a primary beneficiary and entitled children, or to a surviving widow and entitled children.⁷ In old-age assistance, the minimum payment was \$2 in both Pennsylvania and Missouri; in aid to dependent children, it was \$2 in Pennsylvania and \$3 in Missouri. Public assistance maximums in effect during the study month have already been given.

Clearly, for both the aged and children, there is considerable overlapping in the range of insurance benefit and assistance payment, which partly accounts for the lack of any great dissimilarity in the distribution given in table 3.⁸

The coincidence that in Philadelphia the average old-age assistance payment and the average family benefit in families containing primary beneficiaries were separated by only \$1 has no significance in itself. The \$25 average for the insurance benefit resulted from several variables—monthly average wage in covered employment, the proportions of men and

Table 4.—Percentage distribution of 1-person families, by amount of monthly income from old-age assistance or old-age insurance

Amount of monthly income	Philadelphia		St. Louis	
	Old-age assistance	Old-age insurance	Old-age assistance	Old-age insurance
Total, number of families in sample	12,117	75	394	110
Total, percent.....	100.0	100.0	100.0	100.0
Less than \$10.....	1.0	4.0	4.1	11.8
10.00-19.99.....	6.8	37.3	49.7	43.6
20.00-29.99.....	51.8	53.3	45.7	38.2
30.00 or more.....	37.4	5.3	.6	6.4
Percent without other income.....	89.4	5.3	61.2	6.4
1-person families as percent of all families in survey.....	65.4	18.8	42.7	17.2

women among primary beneficiaries and of beneficiaries with entitled wives. The \$26 average in old-age assistance was determined primarily by the \$30 value placed by the assistance agency on the requirements of an aged person and by the fact that three out of four assistance families had no other income and were presumably eligible for the maximum. Since budgeting in Philadelphia is on a family basis and family requirements vary with size and composition, the relation of resources to the amount of the assistance payment can be seen best perhaps in one and two-person families, which accounted for 87 percent of all families with old-age assistance recipients.

Nine out of every 10 one-person families were without other income. We do not have a cross-tabulation of assistance and nonassistance income, but it would be safe to assume that few of the 37 percent of one-person cases who received the maximum award of \$30 had income from other sources. Another 55 percent received from \$20 to \$29. The rest, 8 percent, were in the under-\$20 class and presumably were among the 11 percent with income from other sources (table 4).

Almost two-thirds of the assistance families containing two persons had no income from other sources. Of all two-person families, 75 percent received assistance⁹ totaling between \$30 and \$49; another 7 percent received the maximum of \$50. In al-

most half the families, both persons were eligible for old-age assistance.

Similar examination, if space permitted, could be made of the data on families in St. Louis containing aged persons, and on families in both cities containing beneficiary or recipient children.

Income From Other Sources

The wide divergence in income between the average insurance family and the average assistance family is attributable entirely in Philadelphia and principally in St. Louis to the possession by relatively more insurance families of income from other sources, and to the larger average amount of such income.¹⁰ This difference is inherent in the character of the two programs; the insurance benefit is not conditioned on need and is paid regardless of any other income (except earnings of \$15 a month or more from employment in covered industry).¹¹

Of the families containing old-age assistance recipients, 76 percent in Philadelphia and 41 percent in St. Louis reported income from public assistance only. Only a handful of families with primary beneficiaries, on the other hand, were dependent on the benefit only—2 percent in Philadelphia and 3 percent in St. Louis. In Philadelphia, 75 percent of the families receiving aid to dependent children had no other source of income; comparable data are not available for St. Louis. For families

¹⁰ "Other income" was not always available to the assistance or beneficiary group within the family receiving it. Whether, in the aggregate, this condition was more prevalent in families containing assistance recipients than in those containing insurance beneficiaries is not known. The comparison in the text is qualified, of course, to the extent that one or the other condition was true.

¹¹ The larger income reported by insurance families is to only a slight extent a function of the larger family. When family size is held constant, the margin of income superiority of insurance families is not reduced significantly. Among 1-person families, for instance, 89 percent of the aged recipients in Philadelphia reported no other income, as compared with 5 percent of the primary beneficiaries. The corresponding ratios for St. Louis were 61 and 6 percent. None of the Philadelphia assistance recipients reported other income exceeding \$20. One-third of the primary beneficiaries in that city had other income of \$30 or more. In St. Louis, 2 percent of the aged assistance recipients, as compared with 30 percent of the primary beneficiaries, had other income of \$30 or more.

⁵ Primary benefit is the sum of: 40 percent of the first \$50 of average monthly wage in covered employment; 10 percent of the next \$200; 1 percent of the sum of the first 2 items for every year in which \$200 or more was earned in covered wages. In 1940 this formula, at the maximum, yielded \$41.60 (\$20 plus \$20 plus 4 times 40 cents).

⁶ Wife's benefit is 50 percent of primary benefit; maximum of \$62.40 cited is the sum of \$41.60, the maximum primary benefit, plus \$20.80 (50 percent of \$41.60).

⁷ Child's benefit is 50 percent of the primary benefit to which the deceased worker would have been entitled; widow's current benefit is 75 percent of the primary benefit. Total monthly benefits awarded on the basis of 1 worker's wages cannot exceed the least of the following 3 amounts: \$85, twice the primary benefit, or 80 percent of average monthly wages in covered employment. The \$83.20 cited as the maximum is twice the maximum primary benefit referred to in footnote 5.

⁸ The inclusion in table 3 of income from all types of public aid, rather than from the specific program only, affects primarily the upper end of the distribution.

⁹ From all public assistance programs, including aid to dependent children, general assistance, and blind pensions.

Table 5.—Percent of families with income from specified source, by type of recipient or beneficiary, St. Louis

Source of income	Old-age assistance	Old-age insurance	Aid to dependent children	Survivor insurance
Old-age and survivors insurance.....	1.0	97.7	1.8	100.0
Unemployment compensation.....	.4	13.0	.3	4.2
Old-age assistance.....	100.0	10.2	4.5	4.2
Aid to dependent children.....	1.8		100.0	2.5
General assistance.....	2.1	1.4	16.0	-----
Work Projects Administration.....	.9		2.1	1.7
Other Federal work programs.....		1.4	15.8	-----
Other public aid.....	1.2	62.0	-----	-----
Private and nonemergency government employment.....	37.7	69.0	60.4	80.0
Investments or property.....	-----	40.7	1.5	35.8
Veterans' pensions, retirement pay, sickness and accident benefits.....		21.0	-----	10.0
Private annuities or union pensions.....	22.4	3.4	-----	4.2
Contributions from friends or relatives.....	-----	8.9	13.5	7.5
Other.....	-----	2.1	3.3	1.8

¹ Includes food stamp plan and aid to the blind.
² Blind pension.
³ Excludes 0.2 percent who received private assistance.
⁴ Includes all private insurance payments other than annuities.
⁵ Includes private assistance.

of widows with entitled children, on the other hand, only 6 percent in Philadelphia and 7 percent in St. Louis had no income in addition to the benefit.

The other income received by assistance families tends to be rather small. In Philadelphia, for instance, more than half the old-age assistance families with other income had less than \$20 a month from this source; in almost half the primary beneficiary families with income from other sources, on the other hand, non-insurance income amounted to \$100 or more per month. Forty percent of the primary beneficiary and 35 percent of the child beneficiary families in St. Louis, and 36 percent of the child beneficiary families in Philadelphia, reported income of \$100 or more a month from other sources (table 3).

A cross-tabulation of benefit income and other income is not available, but from an inspection of table 3 it would be reasonable to conclude that income from other sources exceeded benefit income in a substantial majority of families. Primary beneficiary families in both Philadelphia and St. Louis had a median income from ben-

efits of \$20-29; the median income from other sources was \$75-99 in Philadelphia and \$50-74 in St. Louis. Families containing widows with entitled children had a median income from benefits of \$40-49 in Philadelphia and \$30-39 in St. Louis; the median for income from other sources fell in the \$50-74 class in both cities.

Very few assistance families, on the other hand, had more income from other sources than from assistance. In Philadelphia, more than half the families in each of the assistance programs were entirely dependent upon the assistance payment. In St. Louis, old-age assistance families had a median income of less than \$10 from other sources, while the mean income for aid to dependent children families was \$32 from that program, \$10 from all other sources.

The most frequent source of other income was employment. Earnings by some member of the family were reported for 65 percent of the Philadelphia families with primary beneficiaries and 77 percent of the families with child beneficiaries; for St. Louis the corresponding percentages were 84 and 93. Among assistance families in St. Louis, 38 percent with aged recipients and 69 percent with child recipients reported income from earnings. Data for Philadelphia assistance recipients are lacking, but we know that only 13 percent of the old-age assistance families and 33 percent of the aid to dependent children families had employable members.

Differences in family size and therefore in the number of potential earners affected the relative incidence of employment. In both Philadelphia and St. Louis, families with primary beneficiaries were larger than families with recipients of old-age assistance. Sex and race differences also had some influence. Aged women are less employable than aged men. Negroes find it somewhat more difficult than white persons to obtain employment. Both groups were more heavily represented among assistance than among insurance families.

The more frequent occurrence among insurance beneficiary families of income from employment may be partly due to the difference in the time span covered by the survey, which was 12 months for insurance families and 1 month for assistance families. A count during a single month excludes many persons not

then in the labor force who may find employment later in the year.

The chronological disparities, on the other hand, favored assistance recipients. In 1940, 1941, and 1942, employment opportunities increased progressively, especially for marginal groups. The public assistance survey month occurred 5 months after the close of the insurance survey year in Philadelphia and approximately a year after the survey year in St. Louis. That more employment was nevertheless reported by families of insurance beneficiaries is significant of the differences in the composition of the two groups.

Some insurance families reported income from assistance sources (public assistance, earnings under Federal work programs, assistance from private agencies), and some assistance families were in receipt of social insurance benefits. The proportion in each case was small. Twelve percent of the primary beneficiary and 14 percent of the child beneficiary families in both Philadelphia and St. Louis received assistance income during the survey year. More than half these families also reported income from other sources.

The number of beneficiary families that qualify for public assistance depends largely on local assistance standards. The Los Angeles sample included in the study of resources and living arrangements of beneficiaries of old-age and survivors insurance in seven cities showed as much as 27 percent of the primary beneficiaries reporting assistance income. At the time of the survey, the public assistance agency in California supplemented to a total of \$40 a month all income received by persons aged 65 and over who met State property and residence requirements.

Data on sources of other income for assistance families are available for St. Louis. Only 2 percent of the families—both those with aged and those with child recipients—also received benefits under old-age and survivors insurance. In both groups less than 1 percent reported income from unemployment benefits (table 5).

The fact that the social insurance sample was confined to new beneficiaries whereas the public assistance sample was drawn from the entire load should be borne in mind in appraising the significance of the data on "other" income. A resurvey of the beneficiary families at a later period

could conceivably show a deterioration in nonbenefit income as a result of changes in family composition, the loss of temporary sources of income, and the depletion of assets to supplement current income. In both Philadelphia and St. Louis, almost 3 out of 10 primary beneficiaries and 4 out of 10 entitled widows reported use of assets for living expenses during the survey year.

Conclusions

Though comparisons sometimes made between average assistance payment and average benefit under old-age and survivors insurance imply comparability, examination of data on family characteristics and income of public assistance recipients and old-age and survivors insurance beneficiaries in Philadelphia and St. Louis suggests that amounts paid under the two programs are quite unlike in their significance to the payee.

Somewhat more than half the recipients of old-age assistance were women, approximately one-fourth were Negroes. By contrast, nearly all primary beneficiaries were men, and less than 5 percent were Negroes. Two

out of every three families receiving aid to dependent children were Negro; Negroes comprised fewer than 15 percent of the families receiving survivor benefits. These contrasts reflected primarily differences in the employment opportunities available to men and women, to white persons and Negroes.

Families including primary beneficiaries tended to be larger than families containing old-age assistance recipients and to have more earners. Assistance families with child recipients were somewhat smaller in Philadelphia than insurance families with child beneficiaries but were about the same average size in St. Louis.

Income of the insurance families was substantially larger than that of the assistance families. The income advantage was due entirely to other sources of income in Philadelphia, where average assistance payments and average insurance benefits tended to be about the same. In St. Louis, average income from insurance exceeded that from assistance, and the insurance beneficiaries also had more income from other sources.

Most of the assistance families in Philadelphia and a substantial pro-

portion of such families in St. Louis were entirely dependent on public assistance. Families wholly dependent on insurance benefit constituted, by contrast, less than 5 percent of all primary beneficiary families in both cities and less than 10 percent of all families with child beneficiaries.

In a substantial majority of insurance beneficiary families, income from other sources exceeded income from insurance benefit. Very few assistance families, on the other hand, had less income from assistance than from other sources.

The extent to which these contrasts in the characteristics of the two groups are representative of the country as a whole is not known, but they are sufficiently marked to suggest that they have more than local significance. The differences in the groups, especially with respect to family income, cast doubt on the validity of evaluating the size of the average assistance payment by that of the average insurance benefit, or vice versa, or on the propriety of judging the "adequacy" of one by reference to the other, or of weighing both on a single scale of "adequacy," however constructed.

Life Insurance and Annuities on United States Lives, 1935-43

By Weltha Van Eenam*

LIFE INSURANCE AND ANNUITIES issued by insurance companies provide a medium for budgeting current income for protection against income losses due to death and old age. Some insurance and annuity policies are designed for protection against loss of income because of death and some provide life income only, but the large majority provide a combination of the two. More and more, the proceeds of death claims, maturing endowments, policyholders' dividends, and surrendered policies are being left with the companies to provide installment benefits. Under many of the policies, such benefits may well be considered as supplementary to old-age and survivors insurance benefits under the Social Security Act.

This article outlines major trends since 1935, when the Social Security Act became law, in insurance and an-

nualities on United States lives underwritten by some 350 life insurance companies of both the United States and Canada.¹ The business of fraternal and assessment associations and life insurance and retirement benefits under employee mutual benefit association plans and employer self-insured plans have been excluded, as have Government life insurance

¹ Statistics given in this article are based on aggregates from the *Spectator Insurance Yearbooks*, *Best's Life Reports*, the *Unique Manual Digest*, the *New York Insurance Reports*, the *Canadian Life Insurance Abstracts*, and from the companies' annual statements required by the State insurance departments, with adjustments noted in the tables. Some of the 1943 figures are based on information collected by the Institute of Life Insurance and on data published in the *National Underwriter*. At many points, estimates and judgment entered into derivation of the figures, and the results should be taken only as an approximation of magnitude and relationships.

and other governmentally administered programs.

Forms of Insurance

Ordinary insurance is the term used for insurance which is issued mainly in amounts of \$1,000 or more and with premiums payable annually, semiannually, quarterly, and, in some companies, monthly. Underwriting of ordinary insurance has for the most part required a medical examination, although at present a considerable amount of nonmedical ordinary insurance is being written; the amount which will be issued on a nonmedical basis is limited by company rulings. The average size of policies in force is slightly over \$2,000. The policies vary from low-premium 1-year term policies to high-premium short-term endowments and single-premium life and endowment policies. Nearly 22 percent of ordinary insurance is on the endowment plan, and about 70 percent is on whole-life forms, some of which require premiums for only a limited number of years. Most of the remaining 8 percent is on a term basis, largely for 5-year and 10-year terms.

*Office of the Actuary.