Living in Retirement: A Moderate Standard for an Elderly City Couple

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Thanks to the progress of modern medicine and a bettering of living conditions generally, more and more Americans are enabled to live out their "three-score-and-ten." At the same time, retirement for most workers comes earlier these days, leaving them with more years to live on a reduced income. Virtually all aged persons are supported at least in part by public programs (the OASDHI program alone currently makes payments to more than 5 out of 6 persons aged 65 or older). The adequacy of their income in relation to their need is thus an important public issue.

Measures of poverty and low-income developed by the Social Security Administration provide estimates of minimum and near minimum requirements for households in which aged persons live. Cost estimates developed by the Bureau of Labor Statistics for a moderate living standard for an urban aged couple provide another.[1] According to the SSA measure, a husband aged 65 or over with his wife, not living on a farm, would be poor with an income less than $1,975 in 1966; he would be "near poor" with an income more than $1,975 but less than $2,675. To live at a moderate standard in urban areas in the fall of 1966, the same couple would need, by the BLS measure, an average of $3,869—or almost half again as much as the "near poor" criterion.

IN 1966, A CONSIDERABLE number of elderly families were poor. Of the 4.2 million elderly husband-wife couples not on farms, 1.9 million or 2 out of 5 had less than $2,675 for the year. How many, all told, had to make do on less than $3,869 is not yet known, but obviously the majority would find the level BLS designates as "moderate" well beyond their means. Indeed, among all families with an elderly head (including those with three or more members, units generally better off than elderly couples because of the income added by young employed adults), median income in 1966, as reported to the Bureau of the Census, was 6 percent lower than the BLS-priced budget.[2]

Although no budget designed specifically for elderly persons without a spouse has been priced by BLS, an equivalence scale developed by the Bureau suggests that an elderly person living alone in a city would need about $2,130. In contrast, 2 out of 3 unrelated individuals not on farms in 1966 had incomes less than the $1,900 stipulated by the Social Security Administration as the criterion of "near poor" or low-income status for a one-person aged nonfarm household.

USES OF THE BUDGET

Clearly for some households money income in a single year is by itself neither complete nor wholly accurate as a measure of economic well-being. Yet it continues to remain the most accessible proxy. Studies of income distributions have long served to suggest how much spending power is available to one population group compared with another and to see whether their relative shares in the Nation's output have changed for the better or worse. But for some purposes other tools are required, tools that equate income available to a family of given type or size to some measure of need or specified level of living for such a family.

Standard budgets in some form have long been used by operating agencies, public and private, as a basis for disbursing payments to families and for determining eligibility for a service or the ability to pay for it. Increasingly, in recent years, the dollar totals implied by such budgets have been sought also as a reference point for assessment of the relative well-being of subgroups in the population—families with young children, the aged, Negroes and other minorities, wage-earner

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[1] See Bureau of Labor Statistics, *Retired Couple's Budget for a Moderate Living Standard, Autumn 1966* (Bulletin No. 1570–4), June 1968.

[2] Bureau of the Census, *Current Population Reports, Consumer Income: Income in 1966 of Families and Persons in the United States* (P-60, No. 53), December 1967.

and other self-supporting families, or those dependent on public programs. The current focus on antipoverty programs has, of course, heightened interest in measures that quantify aspirations—or what people think they have a right to have—as well as those that delineate privation.

The supply of current cost estimates reflecting accepted consumption standards at prevailing price levels for specific types of families in a given community falls far short of demand. To determine objectively what goods and services satisfy the standard for a designated level of living and to keep a list of such items current by regular pricing and revision is no simple task—and the farther removed from mere subsistence the level chosen, the more difficult the task becomes. In the United States, to be sure, mere survival has long since been rejected as a tolerable goal even for the least of us.

The Social Security Administration, seeking a way to quantify minimum need—and in the United States such a measure will obviously be more generous than in less affluent countries—developed two crude measures of low income.[3] Operating on the premise that it is easier to decide how much is too little than to define how much is enough, the Social Security Administration used U.S. Department of Agriculture guides to the least cost of an adequate diet conforming to American food choices in order to approximate the dollar cost of all needed items other than food. One estimate centered around an economy or emergency food plan and the other about the more familiar low-cost food plan, which is a third higher in cost. The food and nonfood costs combined thus afford a measure of income needed to cover minimum requirements.

The lower of these two SSA indexes is being used by the Office of Economic Opportunity and other government agencies as the interim working definition of poverty for program planning. The estimated dollar requirements, worked out separately for households of different size and composition, include separate calculations for elderly persons living alone (or with nonrelatives only) and for elderly couples.

For many purposes, the levels of living implied by either the SSA poverty or low-income index would be considered too low. As early as 1948, the Bureau of Labor Statistics developed budget standards to describe a more generous level of living, one which though modest was more closely related to that enjoyed or expected by the typical American worker's family. The latest revised and detailed list of the goods and services that make up such a budget and their cost as of the autumn of 1966 has recently been published for two kinds of families—a young worker's family of four, and a retired couple with a husband aged 65 or over with neither the husband nor wife working regularly.[4] The budget for the retired elderly couple is of particular interest to the readers of the BULLETIN.

This BLS budget supersedes an interim version issued by the BLS in 1960. That version in its turn had replaced the original budget for an elderly couple developed by the Social Security Administration in 1948.[5]

Current emphasis on antipoverty programs and the realization that so many aged persons do indeed fall below the poverty line shouldn't obscure the broader question of what is a reasonable goal for the economic position of those who can no longer work for a living compared with the position of those who do. In 1966 about 3 in 5 of all male family heads 65 years old or older didn't work at all; 6 out of 7 of all aged heads received payments from social security, public assistance, or other public income-support programs. Indeed, among families of aged men as a group, one-third of their income is derived from such programs and only half from earnings of any family member.

The commitment of the Social Security Administration was set forth in the statement accompanying the original "modest but adequate" criterion for the retired worker and his wife:

> Social security programs represent undertakings to assure so far as possible freedom from want. In

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[3] A description and discussion of the indexes and the most recent poverty statistics relating to them are reported in the *Social Security Bulletin*, January and July 1965; April, May, and December 1966; and March 1968.

[4] See Bureau of Labor Statistics, *City Worker's Family Budget for a Moderate Living Standard, Autumn 1966* (Bulletin No. 1570–1) October 1967, and *Retired Couple's Budget . . . op. cit.*

[5] Social Security Administration, Bureau of Research and Statistics, *A Budget for an Elderly Couple*, Bureau Memorandum No. 67, 1948. See also Margaret Stotz and Helen Lamale, "The Interim Budget for a Retired Couple in 1959," *Monthly Labor Review*, November 1960.

the light of this basic purpose, those concerned with such programs are necessarily faced with the problem of considering what content of living is necessary to achieve that freedom. In particular, agencies responsible for the administration of public assistance have long struggled with this problem. . .

The Social Security Administration therefore had a direct interest in the project to determine the costs of a budget for a 4-person city worker's family inaugurated in 1948 by the Bureau of Labor Statistics at the request of the Congress, and undertook a parallel project covering certain other family types that are common among groups covered under the social security program. Attention was first directed toward the preparation of a budget for an elderly couple living in an urban area.

The level of living represented by the city worker's family budget and the budget for an elderly couple may be described as one providing the goods and services necessary for a healthful, self-respecting mode of living, allowing normal participation in the life of the community in accordance with current American standards. Social and conventional as well as physiological needs are taken into account. In other words, the budget is intended to provide a modest but adequate living standard. This does not mean, of course, that this level is thought of as necessarily and in itself determining the goal, in terms of size of payments, toward which those responsible for social security programs should work. Social insurance benefits represent a substitute for earnings which are interrupted or cease; it is generally agreed that a man's benefits should be less than what he earned when working. Many individuals have supplementary income from savings, private annuities and other sources. The purpose of public assistance payments is to supplement other income and resources of the needy individual in accordance with the public assistance agency's standards of assistance.

However, a measure of the overall cost of such a level of living in different communities and for families of different sizes can provide a highly useful tool for appraising the several social security programs in operation throughout the Nation.[6]

Derivation of the Budget

The Technical Advisory Committee for the original City Worker's Budget stated in its report that "the budget represents what men commonly expect to enjoy, feel that they have lost status and are experiencing privation if they cannot enjoy, and what they insist upon having. Such a budget is not an absolute and unchanging thing. The prevailing judgment of the necessary will vary with the changing values of the community, with the advance of scientific knowledge of human needs, with the productive power of the community and therefore what people commonly enjoy and see others enjoy."[7]

By October 1950 for the elderly couple's budget and a year later for the budget for the worker's family, the pre-World War II family expenditure data from which large portions of the budget standards had been derived were deemed no longer representative of current family values and practices in allocating their available funds. The regular "pricing" or estimation of budget costs by the BLS was then discontinued.

Accordingly, BLS undertook to update the city worker's budget and simultaneously, at the request of the Social Security Administration, the budget for an elderly couple. On the basis of family expenditure data obtained in 1950 and later, Department of Agriculture regional food plans (based on 1955 consumption data), and extensive data from a number of sources on family utilization of medical care services, BLS was able to publish an interim revision priced as of late 1959.[8]

The 1961–62 consumer expenditures survey by the Bureau made possible a comprehensive revision of the budget to reflect the quantities of goods and services that represent present goals of families and the priorities they attach to them. It is this list, including for the first time separate estimates for elderly couples who own their home as well as for those who rent living quarters, that adds up to an average of nearly $3,900 for a retired couple in United States cities in the fall of 1966.

The SSA poverty and low-income measures of income requirements for an elderly couple are set for the continental United States, differentiating only between farm and nonfarm residence. In contrast, the BLS measure of income requirements for the moderate standard does differ geographically: Total costs for the year are computed separately for urban United States, metropolitan and nonmetropolitan areas, and 4 nonmetropolitan regions, as well as for 39 individual metropolitan areas. Costs range from a low of $3,246

[6] Social Security Administration, Bureau of Research and Statistics, *op. cit.*

[7] *Monthly Labor Review*, February 1948.

[8] Margaret Stotz and Helen Lamale, *op. cit.* See also Mollie Orshansky, "Budget for an Elderly Couple: Interim Revision of the Bureau of Labor Statistics," *Social Security Bulletin*, December 1960.

in nonmetropolitan cities in the South to a high of $4,434 in Honolulu, Hawaii. No comparable figure is presently available for rural families, farm or nonfarm.

The following excerpts for the BLS report[9] describe how the number and kinds of individual items to be priced were determined:

Budget quantities and pricing specifications which describe the 1966 moderate standard were derived in a variety of ways. For food at home and shelter, which constitute 49 percent of the total costs of family consumption, allowances were based on scientific findings or expert technical judgments concerning requirements for physical health and social well-being. For transportation and supplemental medical care, accounting for 17 percent of family consumption, the prevailing practices of retired couples were used as a guide in developing budget allowances. Quantities for the remaining third of the consumption total were based on analytical studies of the Bureau's 1960–61 Survey of Consumer Expenditures. These studies determined by objective procedures the choices of goods and services made by consumers in successive income classes. . . .

The food-at-home component of the budget was based on the "moderate-cost" food plan [of the Department of Agriculture], considered suitable for the average U.S. family. The plan contains 11 food categories which group foods according to similarity of nutritive values and uses in meals. The suggested quantities furnish the NRC's recommended allowances for nutrients when average food selections within each group are used.

Regional consumption patterns for specific foods within each food group were obtained from the USDA 1965 Household Food Consumption Survey. Estimated budget costs reflect the food preferences of the income class containing the median income ($5,800) of the middle third of the USDA income distribution. The pattern for the region in which the city is located was used for each city except Washington, D.C. The U.S. pattern was used for Washington, since its population comes from all parts of the country. . . .

Standards for the shelter component of the budget were those established by the American Public Health Association and the U.S. Public Housing Administration. They relate to sleeping space requirements, essential household equipment (including plumbing), adequate utilities and heat, structural condition, and neighborhood location.

For renter families, the shelter standard called for an unfurnished two- or three-room dwelling in sound condition and with a complete private bath, fully equipped kitchen, hot and cold running water, electricity, central or other installed heating, access to public transportation, grocery stores, and location in residential neighborhoods free from hazards or nuisances.

Rates for dwellings which met this standard were obtained from tenants during the regular rent surveys for the Consumer Price Index between August 1966 and January 1967. The cost of the rental shelter standard was calculated from the average rent in the middle third of the distribution of autumn 1966 rents. . . .

For homeowner families, the cost of maintaining the shelter standard was calculated for a five- or six-room, one or one and one-half bath house that met the same dwelling unit and neighborhood specifications as described above for rental units. The average U.S. urban market value for such dwellings was $14,480 in 1960-61. . . . The current (1966) market value for these homes is estimated to be about $15,560. . . .

The house was assumed to be mortgage-free, since 85 percent of retired couples live in homes on which the mortgage has been paid up, according to the 1960–61 Survey of Consumer Expenditures. Therefore, homeowner shelter costs exclude allowances for mortgage interest and principal payments. However, appropriate taxes are included, reflecting varying assessment practices and rates in individual cities. . . .

The standard for transportation is based on the average level of automobile ownership for retired couples, as recorded in the 1960–61 Survey of Consumer Expenditures. In four of the larger metropolitan areas, where public transportation is readily available, the weight for automobile ownership was adjusted to reflect the ownership patterns in these areas. Thus, ownership was specified for 25 percent of budget families in the New York area, and 40 percent of the families in Boston, Chicago, and Philadelphia. In all other metropolitan areas, the comparable weight is 60 percent. In nonmetropolitan areas, ownership was specified for 68 percent of the families. Allowances for occasional use of public transportation by automobile owners are higher in the four areas having mass transit systems than in other metropolitan areas and smaller cities.

The standard provides for the purchase of a used car every 8 years in metropolitan areas and every 6 years in nonmetropolitan areas, based on the customary purchases of families of the budget type. The average age of the car for which operating expenses were calculated is 7 years.

The medical allowance includes hospital and medical insurance as provided by the Federal Medicare program, initiated in July 1966. Under the hospital insurance, for each spell of hospitalization there is an initial $40 deductible amount paid by the enrollee, and the insurance fully covers the remaining hospital costs for the first 60 days. Hospital insurance also includes 20 post-hospital days in an extended care facility and 100 post-hospital home health visits, at no cost to the enrollee. Finally, the hospital coverage includes outpatient hospital diagnostic benefits, for which the enrollee pays the first $20 and 20 percent of the balance of the cost for each diagnostic study. [The 1967 amendments to the Social Security Act transferred coverage of outpatient diagnostic services to the supplementary medical insurance program.]

Under the medical insurance program each enrollee pays a monthly premium amounting to $3 in 1966–67. In addition, the enrollee pays the initial $50 of cost plus 20 percent of all remaining costs for services and supplies (medical and surgical services of a physician, diagnostic tests, selected medical supplies, and home health benefits).

Since the budget is designed for a couple in reasonably

[9] Bureau of Labor Statistics, *Retired Couple's Budget . . . op. cit.*

good health and able to take care of themselves, it was assumed that no charges were incurred by the couple for the longer term provisions of Medicare. The estimated annual average out-of-pocket cost ($148) for all Medicare enrollees was provided for budget use by the Office of Research and Statistics of the Social Security Administration, based on survey data for the first 12 months of the program. That portion of the estimated cost which covered the nonpremium charges under medical insurance ($58) was adjusted by BLS to reflect intercity differences in costs, primarily the differences in fees for physician visits—using data from a special BLS analysis.

Since Medicare does not cover the cost of routine dental care, eye examinations or eyeglasses for refractive error and correction, or most out-of-hospital prescription and nonprescription drugs, allowances for these items were added. Also added was a checkup visit to a physician for Medicare enrollees not using any Medicare services within 1 calendar year. Dental care quantities were derived from 1963–64 utilization data in the National Health Survey. Allowances for eye care and prescriptions and drugs were developed from the BLS 1960–61 Consumer Expenditure Survey data.

Average fees and prices for medical services and supplies were those collected for the Consumer Price Index, supplemented by prices obtained specifically for budget use.

Food at home, shelter, transportation, and medical care, as specified for the budget, account for two-thirds of family consumption. The remaining third includes housefurnishings, household operation, clothing, personal care, reading, recreation, meals away from home, alcoholic beverages, and tobacco. For these components, budget allowances were developed by examining the quantities of, or expenditures for, various items purchased at successive income levels by retired couples in the Bureau's 1960–61 Survey of Consumer Expenditures. The purpose of the analysis was to determine the income level at which the rate of increase in quantities purchased, or expenditures, begins to decline in relation to the rate of change in income, i.e., the point of maximum elasticity. The average number and kinds of items purchased at these income levels are the quantities and qualities specified for the budget. Thus, they represent a composite of individual choices. This technique uses the consumer's collective judgment as to what is adequate and is based on the assumption that increasing elasticity indicates increasing urgency of demand, and decreasing elasticity indicates decreasing urgency. The point of maximum elasticity has been described as the point on the income scale where families stop buying "more and more" and start buying either "better and better" or something else less essential to them.

For a majority of the items in the housefurnishings, clothing, personal care, and recreation components, the quantities could be standardized for quality (by use of a constant price) across income classes; for the remainder of the components, only expenditure-income elasticities could be calculated. In the clothing, housefurnishings, and personal care components, the characteristic pattern, in which quantities at first increase relatively more rapidly than income and then increase at a relatively slower rate than income, was found. The inflection point, i.e., the point of maximum elasticity, for the majority of subgroups of these components was in the (after tax) income class $3,000–$4,000. . . .

The allowance for [gifts and contributions] was based on an upward adjustment of the ratio estimate used in the interim budget. The adjustment reflected both the change in the level of living and the increase in prices between 1959 and 1966.

RISING COST OF THE BUDGET

Summary costs of the moderate standard determined by BLS for aged couples retired and living in metropolitan areas—that is, cities of at least 50,000 population and the suburban ring around them—and small towns with population of 2,500 to 50,000 are shown in table 1. Summary costs for the younger, larger family of a city worker are shown for comparison. Dollar totals are in terms of prices prevailing in the fall of 1966. Data are shown separately for homeowners in a fully paid-up home—and for those renting a house or apartment. A combined average for all couples is also included on the premise that in the population at large 65 percent of all elderly couples would own outright the house they live in and 35 percent would rent. In the United States as a whole the budget costs for owners totaled about 5 percent lower than for renters though there was considerable variation from one place to another.

The BLS has priced the budget standard in a large number of urban places, making it possible to assess differences in the cost of living for individual cities in the same region or in a metropolitan area rather than a small city in a given region, as well as the advantage in dollar terms of living at a moderate standard in a particular part of the country. The cost estimates, it must be remembered, apply only to couples already settled in a home in a community and, for at least the 65 percent living in a home they had occupied for a long time, with the house paid for. Obviously, a family newly moving into a city or even from one place to another in the same city would incur extra costs.

Tables 2–5 show the costs of the moderate standard as computed separately by the BLS for 8 metropolitan areas in the Northeast, 14 in the North Central States, 10 in the South, and 7 in the West, as well as the average costs in each region in places with population of 2,500 to 50,000. The lowest cost recorded was for a retired homeowner and his wife in a small city in the South—$3,208. A retired couple renting a home in

TABLE 1.—Annual costs of the retired couple's budget and city worker's family budget, urban United States, 39 metropolitan areas, and nonmetropolitan areas, autumn 1966

Item	Retired couple [1]			City worker's family [4]		
	Total urban U.S.	Metropolitan areas [2]	Nonmetropolitan areas [3]	Total urban U.S.	Metropolitan areas [2]	Nonmetropolitan areas [3]
Total [5]	$3,869	$4,006	$3,460	$9,191	$9,376	$8,366
Renter families	3,985	4,127	3,563	8,594	8,739	7,946
Homeowner families	3,806	3,941	3,404	9,390	9,588	8,506
Cost of family consumption, total [5]	3,637	3,766	3,252	7,329	7,474	6,681
Renter families	3,753	3,887	3,355	6,850	6,964	6,343
Homeowner families	3,574	3,701	3,196	7,488	7,643	6,793
Food	1,072	1,089	1,023	2,143	2,173	2,005
Food at home	964	975	932	1,824	1,840	1,754
Food away from home	108	114	91	319	333	251
Housing, total	1,295	1,392	1,004	2,214	2,286	1,894
Renter families	1,411	1,513	1,107	1,736	1,776	1,557
Homeowner families	1,232	1,327	948	2,374	2,457	2,006
Shelter, total [6]	834	893	656	1,733	1,808	1,402
Rental costs [7]	950	1,014	759	1,255	1,298	1,065
Homeowner costs [8]	771	828	600	1,893	1,978	1,514
Housefurnishings	170	181	139	265	266	258
Household operations	291	318	209	216	212	234
Transportation, total [9]	345	344	346	815	815	813
Automobile owners	561	581	500	860	870	813
Nonowners of automobiles	83	105	17	151	184	—
Clothing [10]	225	227	216	756	767	709
Husband	—	—	—	174	174	179
Wife	—	—	—	187	191	169
Boy	—	—	—	168	169	164
Girl	—	—	—	154	159	132
Clothing materials and services	—	—	—	72	74	66
Personal care	121	119	128	214	218	194
Medical care, total	284	288	274	468	481	411
Insurance [11]	—	—	—	219	225	191
Costs under Medicare	148	150	145	—	—	—
Physician's visits	—	—	—	89	94	69
Other	136	138	129	284	290	259
Other family consumption	295	307	261	719	734	654
Reading	53	52	57	65	70	41
Recreation	111	113	106	306	310	291
Education	—	—	—	55	60	35
Tobacco	71	70	72	134	133	139
Alcoholic beverages	46	57	13	72	72	69
Miscellaneous expenses	14	15	13	87	89	79
Other costs	232	240	208	413	419	391
Gifts and contributions	232	240	208	253	259	231
Life insurance	—	—	—	160	160	160
Occupational expenses	—	—	—	80	80	80
Social security and disability payments	—	—	—	289	291	280
Personal taxes, total [12]	—	—	—	1,080	1,112	935
Renter families	—	—	—	961	985	852
Homeowner families	—	—	—	1,119	1,155	962

[1] Consists of a retired husband and wife, aged 65 or over.
[2] For a detailed description, see the 1967 edition of *Standard Metropolitan Statistical Areas*, prepared by the Bureau of the Budget.
[3] Places with a population of 2,500 to 50,000.
[4] Consists of an employed husband, aged 38, a wife not employed outside the home, a 13-year-old boy, and an 8-year-old girl.
[5] For the retired couple, represents the weighted average costs of renter families (35 percent) and owner families (65 percent); for the city worker's family, represents 25 percent and 75 percent, respectively.
[6] For the retired couple, average costs of shelter were weighted 35 percent for families living in rented dwellings and 65 percent for families living in owned homes; for the city worker's family, the proportions were 25 percent and 75 percent, respectively.
[7] Average contract rent plus the cost of required amounts of heating fuel, gas, electricity, water, specified equipment, and insurance on household contents.
[8] For the retired couple, taxes; for the city worker's family, interest and principal payments plus taxes—plus, for both, insurance on house and contents, water, refuse disposal, heating fuel, gas, electricity, specified equipment, and home repair and maintenance costs.
[9] Average costs of automobile owners and nonowners were weighted by the following proportions of families: (a) for the retired couple, New York, 25 percent for automobile owners, 75 percent for nonowners; Boston, Philadelphia, and Chicago, 40 percent for owners, 60 percent for nonowners; all other metropolitan areas, 60 percent for owners, 40 percent for nonowners; and all nonmetropolitan areas, 68 percent for owners, and 32 percent for nonowners; and (b) for the city worker's family, Boston, Chicago, New York, and Philadelphia, 80 percent for owners, 20 percent for nonowners; Baltimore, Cleveland, Detroit, Los Angeles, Pittsburgh, San Francisco, St. Louis, and Washington, D.C., with 1.4 million of population or more in 1960, 95 percent for owners and 5 percent for nonowners; all other areas, 100 percent for owners.
[10] For the retired couple, includes costs for husband and wife plus allowance for clothing materials and services.
[11] Average costs of hospitalization and surgical insurance (as a part of total medical care) were weighted by the following proportions: 30 percent for families paying full cost of insurance; 26 percent for families paying half cost; 44 percent for families covered by noncontributory insurance plans (paid for by employer).
[12] Represents the weighted average costs of renter families (25 percent) and owner families (75 percent).

Source: Department of Labor, Bureau of Labor Statistics, *Retired Couple's Budget for a Moderate Living Standard, Autumn 1966*, Bulletin No. 1570–4, and *City Worker's Family Budget for a Moderate Living Standard, Autumn 1966*, Bulletin No. 1570–1.

Honolulu would spend one and one-half times as much, or $4,925, to achieve an equivalent level of living. Hartford, Connecticut, judged by the budget priced, was the most expensive place to live on the mainland for a retired couple not owning their home, with Seattle, Washington, a close second. The New York City area was the most expensive place stateside for the homeowners, with two other Northeastern cities—Hartford and Boston—not far behind.

Indeed, as the BLS points out, when costs for homeowners and renters are averaged together, five of the eight metropolitan areas in the Northeast have a dollar total more than 5 percent higher than the average for the urban United States as a whole. Averaged costs for six of the 10 metropolitan areas in the South, on the other hand, are more than 5 percent below the United States average.

Measures of change over a period of time in the budget standard and its cost can be made only for renters because the original budget standards applied only to them. According to BLS, there was an increase of 35 percent in budget costs for renter families from 1959 to 1966 for the 18 cities for which cost estimates are available in both years. Of this increase 15 percent is attributed to rises in prices and 20 percent to an upgrading in standards.

The nature of the standard is discussed later in the article, but it may be noted here that the food standard selected for pricing in 1966 was considerably higher than the one used in 1959, and proportionately more couples were assumed to own a car than in the earlier years. And of course the advent of hospital and medical benefits for the aged under the social security program made it possible to assume more liberal medical care at substantially lower cost to the family than the cost for such care in 1959. Since food, transportation, and medical care together accounted for over 40 percent of the total estimated budget cost, decisions about the selection of the appropriate standard for pricing have considerable bearing on trends in the budget cost.

As one example, the food component of the interim budget in 1960 was an average of the low-cost and moderate food plans issued by the U.S. Department of Agriculture. For the current standard, only the moderate cost plan was used; it was, in addition, an updated version with food choices reflecting preferences reported in a 1965 consumer study rather than the 1955 one used earlier. At 1966 prices the "new" moderate plan for food at home for the retired couple requires about 15 percent more in money outlay than the combined "old" ones would.

Compared with costs for 1950, the new budget costs reflect changes in the standard amounting to 70 percent—or an upgrading of the level of living (after adjustment for higher prices) at a rate of 3½ percent from one year to the next.

It is of some interest that the Community Council of Greater New York, using a technique

TABLE 2.—Annual costs of the retired couple's budget by major components, metropolitan and nonmetropolitan areas in the Northeast, autumn 1966 [1]

Item	Northeast								
	Boston, Mass.	Buffalo, N.Y.	Hartford, Conn.	Lancaster, Pa.	NewYork-Northeastern New Jersey	Philadelphia, Pa.-N.J.	Pittsburgh, Pa.	Portland, Maine	Nonmetropolitan
Total	$4,298	$4,204	$4,352	$3,916	$4,323	$4,005	$3,917	$4,108	$3,833
Renter families	4,315	4,245	4,476	4,004	4,291	4,030	4,052	4,052	3,987
Homeowner families	4,289	4,182	4,285	3,869	4,341	3,992	3,844	4,139	3,750
Cost of family consumption, total	4,040	3,952	4,091	3,681	4,064	3,765	3,682	3,861	3,603
Renter families	4,057	3,993	4,215	3,769	4,032	3,790	3,817	3,805	3,757
Homeowner families	4,031	3,930	4,024	3,634	4,082	3,752	3,609	3,892	3,520
Food	1,174	1,106	1,202	1,157	1,204	1,144	1,115	1,129	1,135
Food at home	1,066	996	1,067	1,032	1,053	1,033	999	1,042	1,021
Food away from home	108	110	135	125	151	111	116	87	114
Housing, total	1,595	1,490	1,523	1,270	1,670	1,396	1,258	1,417	1,212
Renter families	1,612	1,531	1,647	1,358	1,638	1,421	1,393	1,361	1,366
Homeowner families	1,586	1,468	1,456	1,223	1,688	1,383	1,185	1,448	1,129
Shelter, total	1,075	971	1,019	803	1,146	908	772	909	860
Rental costs	1,092	1,012	1,143	891	1,114	933	907	853	1,014
Homeowner costs	1,066	949	952	756	1,164	895	699	940	777
Housefurnishings	176	193	179	172	182	183	172	181	140
Household operations	344	326	325	295	342	305	314	327	212
Transportation, total	329	401	403	344	229	297	370	363	355
Automobile owners	654	595	600	506	621	578	541	535	514
Nonowners of automobiles	112	110	108	101	98	110	113	104	15
Clothing	231	242	236	226	231	223	232	250	225
Personal care	111	117	118	106	122	112	116	109	132
Medical care, total	281	285	290	277	283	282	276	277	276
Costs under Medicare	148	148	151	145	152	147	146	149	146
All other medical care	133	137	139	132	131	135	130	128	130
Other family consumption	319	311	319	301	325	311	315	316	268
Reading	53	53	53	43	53	53	56	61	59
Recreation	115	112	121	117	117	110	117	111	108
Tobacco	74	72	70	68	80	74	68	70	74
Alcoholic beverages	61	58	59	58	58	59	59	59	13
Miscellaneous expenses	16	16	16	15	17	15	15	15	14
Gifts and contributions	258	252	261	235	259	240	235	247	230

[1] See footnotes to table 1 for explanations relating to retired couples.

similar to that originally developed by BLS to determine what items to price, but with a different pricing procedure for the selection of outlets and facilities that are peculiar to the New York area, puts its estimate of the cost for a retired elderly couple renting in New York City in October 1966 at $3,519. This amount is nearly a fifth less than the BLS estimate of $4,291 for a couple renting a home in the New York-Northeastern New Jersey metropolitan area.

In 1959 the budget for the New York couple as priced by the New York Community Council was over a fifth lower than the corresponding BLS cost estimate.[10] In the 7 years from 1959 to 1966 the Council's estimate for the modest but adequate budget in New York City increased by nearly half (48 percent); the corresponding increase registered by the BLS budget for the New York renter couple was slightly lower (41 percent).

[10] Community Council of Greater New York, *Annual Price Survey, Family Budget Costs, October 1966*, tenth edition, and *Annual Price Survey Family Budget Costs, October 1959*.

APPLYING THE BUDGET

In its present form the budget delineates the content of living at a moderate standard for a retired couple living in a city. Actually, only a minority of all persons aged 65 or older are married and living in cities and not all aged workers have retired. Adjustments can be made to adapt the budget to other living arrangements but the more removed from the original concept the more arbitrary will be the extrapolation. Because families of different types or living under different arrangements also tend to have different income distributions it is hard to determine on the basis of their practices which substitutions express choices freely made—that is, true equivalence—and which reflect constraints imposed by lower income or different market supply conditions.

There is perhaps even less consensus about how to determine equivalent degrees of satisfaction for households of different size or type than there is on the procedures for expressing the standard initially.

TABLE 3.—Annual costs of the retired couple's budget by major components, metropolitan areas and nonmetropolitan areas in the North Central region, autumn 1966 [1]

Item	North Central														
	Cedar Rapids, Iowa	Champaign-Urbana, Ill.	Chicago Ill.-Northwestern Ind.	Cincinnati, Ohio-Ky.-Ind.	Cleveland, Ohio	Dayton, Ohio	Detroit, Mich.	Green Bay, Wis.	Indianapolis, Ind.	Kansas City, Mo.-Kans.	Milwaukee, Wis.	Minneapolis-St. Paul, Minn.	St. Louis, Mo.-Ill.	Wichita, Kans.	Nonmetropolitan areas
Total	$3,958	$4,023	$3,970	$3,760	$4,010	$3,771	$3,849	$3,814	$4,076	$3,866	$4,083	$3,971	$3,939	$3,847	$3,574
Renter families	4,106	4,203	4,183	3,886	4,281	3,998	4,117	3,811	4,199	4,040	4,146	4,111	4,073	3,992	3,705
Homeowner families	3,879	3,926	3,855	3,693	3,864	3,648	3,705	3,816	4,010	3,773	4,049	3,895	3,867	3,769	3,503
Cost of family consumption, total	3,721	3,782	3,732	3,535	3,770	3,545	3,618	3,584	3,832	3,634	3,838	3,733	3,703	3,616	3,360
Renter families	3,869	3,962	3,945	3,661	4,041	3,772	3,886	3,581	3,955	3,808	3,901	3,873	3,837	3,761	3,491
Homeowner families	3,642	3,685	3,617	3,468	3,624	3,422	3,474	3,586	3,766	3,541	3,804	3,657	3,631	3,538	3,289
Food	1,033	1,058	1,062	1,046	1,038	1,030	1,072	995	1,042	1,065	1,036	1,034	1,101	1,055	1,024
Food at home	938	958	967	944	928	942	953	914	950	966	915	937	987	970	941
Food away from home	95	100	95	102	110	88	119	81	92	99	121	97	114	85	83
Housing, total	1,384	1,453	1,424	1,226	1,428	1,247	1,221	1,296	1,466	1,242	1,498	1,393	1,314	1,284	1,101
Renter families	1,532	1,633	1,637	1,352	1,699	1,474	1,489	1,293	1,589	1,416	1,561	1,533	1,448	1,429	1,232
Homeowner families	1,305	1,356	1,309	1,159	1,282	1,124	1,077	1,298	1,400	1,149	1,464	1,317	1,242	1,206	1,030
Shelter, total	865	957	920	738	929	776	710	822	963	733	994	899	815	793	738
Rental costs	1,013	1,137	1,133	864	1,200	1,003	978	819	1,086	907	1,057	1,039	949	938	869
Homeowner costs	786	860	805	671	783	653	566	824	897	640	960	823	743	715	667
Housefurnishings	181	181	177	180	175	177	178	178	185	189	165	167	183	183	141
Household operations	338	315	327	308	324	294	333	296	318	320	339	327	316	308	222
Transportation, total	370	355	307	369	384	364	385	367	383	391	374	377	393	366	336
Automobile owners	546	522	605	541	566	535	569	546	568	577	554	557	580	542	486
Nonowners of automobiles	104	105	108	112	111	106	109	98	106	111	104	106	111	103	17
Clothing	234	231	236	222	234	232	236	245	236	224	234	236	221	223	239
Personal care	121	114	120	101	123	104	119	104	119	125	113	117	114	112	133
Medical care, total	280	286	282	269	265	274	278	283	271	285	277	269	277	277	270
Costs under Medicare	146	148	148	147	148	147	148	145	148	147	147	147	148	148	145
All other medical care	134	138	134	122	117	127	130	138	123	138	130	122	129	129	125
Other family consumption	299	285	301	302	298	294	307	294	315	302	306	307	283	299	257
Reading	46	37	51	56	56	51	56	50	55	47	55	52	47	47	56
Recreation	113	113	113	113	113	113	113	109	119	115	114	111	104	115	106
Tobacco	71	67	70	62	62	63	69	71	67	73	72	71	69	70	69
Alcoholic beverages	54	53	52	57	52	53	55	50	59	53	50	58	48	53	13
Miscellaneous expenses	15	15	15	14	15	14	14	14	15	14	15	15	15	14	13
Gifts and contributions	237	241	238	225	240	226	231	228	244	232	245	238	236	231	214

[1] See footnotes to table 1 for explanations relating to retired couples.

Table 4.—Annual costs of the retired couple's budget by major components, metropolitan areas and nonmetropolitan areas in the South, autumn 1966 [1]

Item	South										
	Atlanta, Ga.	Austin, Tex.	Baltimore, Md.	Baton Rouge, La.	Dallas, Tex.	Durham, N.C.	Houston, Tex.	Nashville, Tenn.	Orlando, Fla.	Washington, D.C.-Md.-Va.	Nonmetropolitan areas
Total	$3,581	$3,534	$3,873	$3,486	$3,639	$3,608	$3,628	$3,721	$3,688	$4,044	$3,246
Renter families	3,795	3,769	4,029	3,650	3,792	3,732	3,760	3,850	3,986	4,222	3,316
Homeowner families	3,466	3,407	3,790	3,397	3,557	3,542	3,557	3,651	3,528	3,948	3,208
Cost of family consumption, total	3,366	3,322	3,641	3,277	3,421	3,392	3,411	3,498	3,467	3,801	3,051
Renter families	3,580	3,557	3,797	3,441	3,574	3,516	3,543	3,627	3,765	3,979	3,121
Homeowner families	3,251	3,195	3,558	3,188	3,339	3,326	3,340	3,428	3,307	3,705	3,013
Food	1,017	990	1,002	1,016	1,008	978	1,018	979	982	1,061	988
Food at home	913	902	906	916	903	896	908	893	894	965	898
Food away from home	104	88	96	100	105	82	110	86	88	96	90
Housing, total	1,046	1,095	1,333	968	1,123	1,173	1,092	1,227	1,228	1,423	864
Renter families	1,260	1,330	1,489	1,132	1,276	1,297	1,224	1,356	1,526	1,601	934
Homeowner families	931	968	1,250	879	1,041	1,107	1,021	1,157	1,068	1,327	826
Shelter, total	568	633	821	540	665	724	622	750	760	897	530
Rental costs	782	868	977	704	818	848	754	879	1,058	1,075	600
Homeowner costs	453	506	738	451	583	658	551	680	600	801	492
Housefurnishings	181	168	186	179	169	177	177	176	181	174	136
Household operations	297	294	326	249	289	272	293	301	287	352	198
Transportation, total	368	363	382	401	372	359	391	371	368	385	347
Automobile owners	539	539	566	598	551	533	580	549	544	570	503
Nonowners of automobiles	113	99	103	106	104	99	107	105	104	106	16
Clothing	212	194	219	203	209	217	200	222	208	223	199
Personal care	126	105	123	117	116	111	118	111	106	135	120
Medical care, total	284	284	285	275	290	278	293	280	281	283	273
Costs under Medicare	148	148	148	148	148	148	148	147	149	149	145
All other medical care	136	136	137	127	142	130	145	133	132	134	128
Other family consumption	313	291	297	297	303	276	299	308	294	291	260
Reading	51	44	51	50	46	47	49	48	48	51	55
Recreation	106	111	107	109	111	108	107	108	106	114	105
Tobacco	73	74	68	72	77	52	78	73	69	61	74
Alcoholic beverages	70	49	56	53	55	55	51	65	57	50	14
Miscellaneous expenses	13	13	15	13	14	14	14	14	14	15	12
Gifts and contributions	215	212	232	209	218	216	217	223	221	243	195

[1] See footnotes to table 1 for explanations relating to retired couples.

Budget for Two

How typical is the budget family? The moderate standard was worked out by BLS for an urban family of only two persons—a man aged 65 or older and his wife. Most families with an aged head do indeed have no more than two members. Yet, though most Americans marry, many see their marriages dissolved by divorce, separation, or death long before they reach old age. As of March 1967, for example, barely half of all persons aged 65 and over were married and living with a spouse.[11]

Because, as is well known, women run a greater risk of the loss of the spouse than men, the situation for them was even worse. Only a third of the elderly women could still be recorded as a wife with husband present (table 6).

Of the 6.9 million families with an aged head, the large majority (3 out of 4, to be exact) included only two persons but in a seventh of the 2-person families with a head 65 years old or older, that head was an elderly woman without a husband. Furthermore, of all aged persons living in family units, 1 in 5 were neither head of their own household nor the wife of one but rather were sharing the home of a relative, usually someone under age 65. And, finally, one-fourth of all aged persons were not part of a family unit but lived by themselves or with nonrelatives only. At most, as the figures below suggest, only 46 percent of all aged persons not in institutions in March 1967 were married and living just with their spouse in a nonfarm community:

	Percent
Total aged	100
Farm	6
In 1-person household	1
In 2-person household	3
Other	2
Nonfarm	94
In 1-person household	26
In 2-person household	46
Other	22

Source: Derived by the Social Security Administration from special Bureau of the Census tabulations of March 1967 Current Population Survey.

[11] Bureau of the Census *Current Population Series: Marital Status and Family Status, March 1967* (P-20, No. 170), February 1968.

TABLE 5.—Annual costs of the retired couple's budget by major components, metropolitan areas and nonmetropolitan areas in the West, autumn 1966 [1]

Item	West							
	Bakersfield, Calif.	Denver, Colo.	Honolulu, Hawaii	Los Angeles-Long Beach, Calif.	San Diego, Calif.	San Francisco-Oakland Calif.	Seattle-Everett, Wash.	Nonmetropolitan areas
Total	$3,786	$3,907	$4,434	$3,991	$3,840	$4,171	$4,260	$3,687
Renter families	3,917	4,000	4,925	4,236	3,995	4,402	4,458	3,805
Homeowner families	3,715	3,857	4,170	3,859	3,757	4,047	4,153	3,623
Cost of family consumption, total	3,559	3,673	4,168	3,752	3,610	3,921	4,005	3,466
Renter families	3,690	3,766	4,659	3,997	3,765	4,152	4,203	3,584
Homeowner families	3,488	3,623	3,904	3,620	3,527	3,797	3,898	3,402
Food	1,024	1,057	1,286	1,037	1,006	1,086	1,133	1,050
Food at home	930	953	1,175	920	888	965	1,008	956
Food away from home	94	104	111	117	118	121	125	94
Housing, total	1,215	1,313	1,502	1,337	1,273	1,420	1,482	1,137
Renter families	1,346	1,406	1,993	1,582	1,428	1,651	1,680	1,255
Homeowner families	1,144	1,263	1,238	1,205	1,190	1,296	1,375	1,073
Shelter, total	735	809	935	843	795	905	926	767
Rental costs	866	902	1,426	1,088	950	1,136	1,124	885
Homeowner costs	664	759	671	711	712	781	819	703
Housefurnishings	198	180	203	194	195	197	188	147
Household operations	282	324	364	300	283	318	368	223
Transportation, total	389	374	427	399	387	415	404	356
Automobile owners	577	553	640	596	571	623	601	512
Nonowners of automobiles	108	107	107	104	112	102	109	25
Clothing	218	233	214	224	214	233	236	224
Personal care	117	122	122	128	117	143	129	144
Medical care, total	314	284	287	331	320	318	303	286
Costs under Medicare	149	148	149	152	150	151	149	146
All other medical care	165	136	138	179	170	167	154	140
Other family consumption	282	290	330	296	293	306	318	269
Reading	42	45	51	52	53	53	49	65
Recreation	112	112	123	116	113	120	112	108
Tobacco	58	65	76	57	57	61	82	70
Alcoholic beverages	56	53	63	56	56	56	59	12
Miscellaneous expenses	14	15	17	15	14	16	16	14
Gifts and contributions	227	234	266	239	230	250	255	221

[1] See footnotes to table 1 for explanations relating to retired couples.

The budget is for a couple residing in a city, but a fourth of the aged persons living in families resided in a community that would be classified as rural. The percentages below summarize the distribution, by type of community, of the total noninstitutional aged population in March 1967.

Type of community	Total aged 65 or over	Family status			
		Living alone [1]	In families		Other relative
			Total	Head or wife	
Total	100	27	73	58	15
Metropolitan: [2]					
Central city	33	10	23	18	5
Suburb	28	7	21	16	5
Nonmetropolitan:					
Urban	16	5	11	9	2
Rural nonfarm	17	4	13	11	2
Rural farm	6	1	5	4	1

[1] Or with nonrelatives only.
[2] Metropolitan data exclude and nonmetropolitan data include the few farm residents labeled metropolitan by the Census Bureau.

Source: Derived by the Social Security Administration from special Census Bureau tabulations of the March 1967 Current Population Survey.

The budget describes a retired couple—one with a man who does not work full time the year around. Relatively few elderly men have left the labor force entirely. In 1966 fully a fourth of all aged men heading a family—and three-fourths of these families consisted only of the man and his wife—worked throughout the year. Another sixth of these aged family men worked at least some part of 1966.[12]

These data for aged male family heads in 1966 conform to earlier survey findings that 53 percent of all aged couples in central cities of metropolitan areas and 49 percent of suburban couples reported some income from earnings during 1962.[13] Much of the earnings, to be sure, had been contributed by some women who were not aged 65 but were married to older men.

The BLS did not exclude from its budget study the records of couples in cases where the husband

[12] See Mollie Orshansky, "The Shape of Poverty in 1966," *Social Security Bulletin*, March 1968.

[13] See Lenore A. Epstein and Janet H. Murray, *The Aged Population of the United States: The 1963 Social Security Survey of the Aged* (Social Security Administration, Research Report No. 19), 1967.

Table 6.—Living arrangements of aged noninstitutional population in March 1967, by sex and poverty status in 1966

Family status	Total U.S.: Number (in thousands): Total	Total U.S.: Number (in thousands): In poor households[1]	Total U.S.: Number (in thousands): In nonpoor households	Total U.S.: Percentage distribution: Total	Total U.S.: Percentage distribution: In poor households[1]	Total U.S.: Percentage distribution: In nonpoor households	Number in metropolitan areas: Central cities	Number in metropolitan areas: Suburbs	Number in other urban areas
	Total, aged 65 and over								
Total	17,937	5,372	12,565	100.0	100.0	100.0	6,048	4,897	2,792
Living alone[2]	4,878	2,697	2,181	27.2	50.2	17.4	1,896	1,184	866
Living in family units	13,059	2,675	10,384	72.8	49.8	82.6	4,152	3,713	1,926
Head	6,929	1,538	5,391	38.6	28.6	42.9	2,206	1,841	1,067
Wife of head	3,548	835	2,713	19.8	15.5	21.6	1,070	984	532
Other relative	2,582	302	2,280	14.4	5.6	18.1	876	888	327
Poor by own income[3]	2,007	292	1,715	11.2	5.4	13.6	(4)	(4)	(4)
Not poor by own income	573	10	565	3.2	.2	4.5	(4)	(4)	(4)
	Men								
Total	7,784	1,934	5,849	43.4	36.0	46.5	2,427	2,123	1,184
Living alone[2]	1,285	565	720	7.2	10.5	5.7	477	288	213
Living in family units	6,499	1,369	5,129	36.2	25.5	40.8	1,950	1,835	971
Head	5,806	1,304	4,502	32.4	24.3	35.8	1,763	1,574	878
Other relative of head aged 65 or over	154	22	131	.9	.4	1.0	39	42	36
Other relative of head under age 65	539	43	496	3.0	.8	3.9	147	219	57
	Women								
Total	10,152	3,437	6,715	56.6	64.0	53.4	3,621	2,774	1,608
Living alone[2]	3,593	2,132	1,461	20.0	39.7	11.6	1,419	896	653
Living in family units	6,559	1,305	5,254	36.6	24.3	41.8	2,202	1,878	955
Head	1,122	234	888	6.3	4.4	7.1	443	267	189
Wife, husband aged 65 or over	3,289	800	2,488	18.3	14.9	19.8	985	913	494
Wife, husband under age 65	259	35	225	1.4	.7	1.8	85	70	38
Other relative of head aged 65 or over	435	94	340	2.4	1.7	2.7	160	118	81
Other relative of head under age 65	1,454	142	1,313	8.1	2.6	10.4	530	508	153

[1] Income in 1966 of person living alone or of family unit below the SSA poverty index.
[2] Or with nonrelatives only.
[3] Income in 1966 below $1,565.
[4] Not available.

Source: Derived from special tabulations by the Bureau of the Census from the Current Population Survey by SSA for March 1967.

worked part of the time. They did not, however, include as part of the standard any expenses specifically connected with employment, not even OASDHI contributions from their earnings, which older workers still must pay.

The proportion of elderly family heads who hold down a regular job despite their age is sizable for all types of communities, but those living inside a central city proper or on a farm were likely to work for longer stretches than those in suburbs of larger cities or in small towns (table 7). As one might expect, the less time a man did spend at work during the year the lower the income his family had and the greater the risk of poverty for his family. One might conclude that as a rule if the husband did not work at all current income would not stretch to cover the modest standard described by the BLS without some additional resources to supplement current income. By the same token, even if the husband was working, many older families would be hard put to it to live at the modest standard if they had only his earnings to rely on. A special tabulation of the Bureau of the Census income data shows average earnings by aged men heading a family who did work in 1966 coming to only $4,600 for metropolitan area residents and $3,260 for men living in other urban places. The BLS budget for metropolitan and for other urban residents averages $3,940 and $3,400, respectively, for retired couples owning their home mortgage-free and even more if they do not.

This is not to say that the standard is too high—from 30 to 40 percent of the aged population don't even have the wherewithal to escape poverty by a criterion considerably lower than the level described by BLS. Rather the findings once more confirm what we already know, that despite OASDHI and other programs we have not yet perfected the mechanism to assure all workers and their families of freedom from want when their days of work are done. The worker

TABLE 7.—Work experience, incidence of poverty and average family income in 1966 for aged male family heads, by community

Weeks worked in 1966	Total	Metropolitan area			Nonmetropolitan area		
		Total	In central cities	Outside central cities	Urban	Rural nonfarm	Farm
	All aged male family heads						
Number of heads (thousands)	5,806	3,337	1,763	1,574	878	1,117	474
Total percent	100	100	100	100	100	100	100
Worked	40	38	41	34	38	36	64
40 or more weeks full-time	19	20	21	17	16	13	34
40 or more weeks part-time	8	6	7	6	8	8	19
1-39 weeks full-time	6	6	6	5	7	6	3
1-39 weeks part-time	7	6	6	5	8	9	8
Didn't work	60	62	59	66	62	64	36
Ill, disabled	12	10	9	11	12	21	10
Other	48	52	50	55	50	43	26
	Percent of family units in poverty [1]						
Total	22	18	18	18	23	36	19
Worked	13	9	10	8	14	24	17
40 or more weeks full-time	7	5	5	4	5	10	16
40 or more weeks part-time	17	9	10	6	([2])	37	19
1-39 weeks full-time	14	12	16	6	([2])	([2])	([2])
1-39 weeks part-time	26	22	21	25	([2])	32	([2])
Didn't work	28	24	24	23	29	43	22
Ill, disabled	39	28	30	26	37	56	([2])
Other	26	23	23	23	27	37	15
	Average family income						
Total	$5,170	$5,890	$5,840	$5,950	$4,815	$3,690	$4,270
Family head worked	6,940	8,270	7,800	8,910	6,740	4,810	4,560
Family head didn't work	4,020	4,480	4,500	4,460	3,630	3,060	3,750

[1] Income of family in 1966 less than SSA poverty threshold relative to family size and farm-nonfarm residence.
[2] Not shown for base fewer than 75,000.

Source: Derived by the Social Security Administration from special tabulations by the Bureau of the Census from the Current Population Survey for March 1967.

at low pay will receive a smaller benefit than the one at high pay, despite the fact that the low earner's benefit will represent a larger proportion of his average earnings. By the same token, the owned home, the savings, and other resources that can help make retirement more comfortable must be accumulated long before, and the worker who has barely enough to take care of his family will not be able to put aside something for his old age. The many workers not yet 65 years old who do not now have enough income to provide for their growing family a moderate way of life as stipulated by the BLS budget are not likely to be able to afford it for themselves when they retire.

Owning vs. Renting a Home

The present calculations of the cost of living for an elderly couple at a moderate standard introduce a welcome addition to the standard budget series of BLS. Although the procedures followed to derive the list of goods and services to be priced are basically identical with those used in earlier studies, two new estimates are provided that were not available before. The budgets published earlier gave prices only for 20 large cities and their suburbs; the current report adds cost estimates for small cities with a population of 2,500–50,000. As a result, it was possible to compute an average cost figure for all urban places in the United States. It is estimated that an elderly couple living in a small city would require only seven-eighths as much cash—$3,500 in all—for a moderate standard as the retired couple in a large metropolitan area.

Another innovation is the estimate of housing costs separately for couples renting a home and those owning their residence. As computed by the Bureau of Labor Statistics, the net saving in cash outlay for a family in an owner-occupied dwelling came to no more than 5 percent. But it is likely that the differential may be understated because the rented quarters to be priced designate an unfurnished two- or three-room unit with one bath, whereas the owned home was assumed to have five or six rooms with one or one and one-half baths.

In the United States, most families able to afford it have traditionally chosen to buy rather than rent a place to live. By the time the family head reaches age 65 most owned homes are fully paid for: The 1960–61 Consumer Expenditures Survey reported 35 percent of all elderly couples occupying rented dwelling units and 65 percent living in homes they owned, with 85 percent of the owned homes free of all mortgage debt. Accordingly the budget standard figures the costs separately for a renting couple and one owning the house outright. Still left undetermined is the standard to apply in those instances where the house is not yet fully paid for.

To provide a single cost figure for a city, housing costs for owners and renters were averaged together using standard weights of 65 percent and 35 percent respectively. In comparing costs among cities, however, the combined average dollar total is less useful than either of the two components alone because the prevalence of home-ownership differs considerably from place to place. As a case in point the published 1960–61 data reveal that only 1 out of 2 rather than 2 out of 3 elderly couples in the Northeast region were owner-occupants throughout the survey year, as the percentages below suggest.

Region	Percent owning home entire year among 2-person urban families with aged head		
	Total	Head aged 65–74	Head aged 75 or over
Total, U. S.	65	64	68
Northeast	52	50	58
North Central	77	78	74
South	67	65	72
West	70	69	72

Source: Bureau of Labor Statistics, *Survey of Consumer Expenditures, 1960–61: Consumer Expenditures and Income* (Supplement 2, Part A to BLS Reports 237–34 to 237–38).

It is of some interest that in approximating transportation costs the BLS used varying assumptions about the prevalence of auto ownership from city to city. Owning a car is likely to be more common among homeowners than renters, because an owned home is more likely than a rented apartment to be in the suburbs where dependence on public transportation creates problems.

Budget for One

By far the most important adjustment in budget costs—because it will be so often required—is the breaking down of the budget for two into a budget for one. Close to 3 out of 10 elderly persons currently live by themselves, or with non-relatives only, and the number grows steadily as more and more aged persons fortified with payments from a public program choose to live alone even on a small income rather than be an "other relative" in the home of their children. Yet today no less than in 1960, when the last retired couple's budget was issued by the BLS, how to relate the cost of living for a single individual to that for a couple is something everyone talks about but no one has really figured out. Using expenditure data as guides, particularly for the elderly, is apt to be misleading: Elderly persons who live alone have as a rule so little income—in 1966 half the unrelated individuals aged 65 and over had less than $1,440 in cash during the year—that one cannot tell how much their spending pattern reflects merely constraint enforced by long-time privation.

For some categories of the budget determined on an individual basis, such as clothing or recreation, there is already a built-in divider. For food it is possible to use the adjustments suggested by the Department of Agriculture home economists for the food plans that are the core of the food component for the budget. Currently the food plans require for food prepared at home an outlay for a one-person household that is 57 percent of that for a two-person family. For medical care for the elderly, the premiums under OASDHI can be calculated for an individual as can the costs of services not covered by insurance.

For other components, as indeed for the total budget cost, there is no readily accepted adjustment factor at hand. There is likely to be general agreement, however, that the least suitable approach is a simple division by two. For some items, such as housing and household operation, it is probably necessary to assume that the cost for a single individual will be but little less than for two. If, as may often be the case for an elderly man living alone, keeping house is impractical, the budget for food and household operation may have to be increased to permit eating most of the meals out rather than preparing them at home and for sending out all the laundry. The budget quantities for some other items, such as household operation or maid service, may have to be increased on the premise that a person living by himself will be less able to manage when ill than if there is a spouse to help take care of him.

Under the old-age, survivors, and disability insurance provisions, the benefits paid to a retired worker and his wife (both aged 65 or over and both claiming benefits on his earnings) is one and one-half times the benefit to the worker himself (except that the wife's benefit can be no more than $105). If the husband should die, his widow receives only 55 percent of what the two formerly shared; if she dies, he receives two-thirds of their combined benefit. Obviously, considerations of equity—in terms of the amount of covered earnings—as well as considerations of need played a role in determining these relationships.

When the budget was priced—the end of December 1966—the average OASDI monthly benefit going to a retired couple was $142.50. For those newly on the rolls, the average amount awarded was much higher. Indeed, the maximum benefit then in effect for a retired couple (with both members aged 65 or over and qualifying on his earnings) was $252, though almost no one had yet had average yearly earnings under the program high enough to qualify for that amount. The maximum earnings base in the 1967 amendments ($7,800) can eventually mean a benefit as high as $323 for such a retired couple.

The Bureau of Labor Statistics has developed an equivalent income scale for families of different size, age, and composition, based on the relation between food expenditures and income.[14] According to this scale the income required for an elderly person living alone would be 55 percent of that required for an elderly couple living at the same moderate standard. This factor represents an averaging of food income expenditure patterns for families throughout the entire range of income.

On the other hand, the Community Council of Greater New York in its annual price survey of family budget costs determined that in October 1967 an elderly person living alone in New York City at a modest standard would need about $42.75 a month or 63 percent as much as a couple.

Others propound that the higher the income the greater the differential for shared living that should be presumed in estimating costs for an individual from those for a couple. When incomes are low and consumption is already close to the marginal level, it may cost only a little less for an aged person alone than it does for two.[15]

It was in line with such considerations that the Social Security Administration in setting its low-income criteria—levels of living considerably more stringent than the moderate standard of the BLS—assumed it would cost a single individual 80 percent as much as a couple to live at the poverty line, and 72 percent as much as a couple at the "near poor" level.

THE BUDGET AS A MEASURE OF INCOME ADEQUACY

The newest estimate of how much income is required to maintain an elderly husband and wife at a moderate standard in retirement is the third in a series of such studies since 1950. For the 18 cities appearing in all three studies, the cost of the budget for a renter family was 2⅓ times as high in 1966 as it had been 16 years before. By applying the increase in the consumer price index to the dollar cost of the first budget standard and subtracting that amount from the current dollar total, the BLS has estimated that just under half the increase came about because of increase in prices for the same items.

To approximate the current income of elderly couples, BLS adjusted the average income of couples included in their 1960–61 Survey in line with the rise between 1960–61 and 1966 with respect to income of elderly families in the Bureau of the Census annual income surveys. During this interval the average income of all United States families of two or more with the head aged 65 or older—as computed by the Bureau of the Census—increased by 14 percent. Such a trend applied to the 1960–61 average in the BLS study yields an income of $4,046 in 1966 for a budget-type couple living in a city. Thus, the BLS concludes that the dollar cost of the budget—$3,985 for homeowners and $3,806 for renters—is "slightly below the current (1966) average money income of retired couples."

The mean income of all families of two or more persons with the head aged is likely, however, to have increased more than that of elderly couples: A goodly share of the income in older families of three or more persons represents earnings of

[14] Bureau of Labor Statistics, *Revised Equivalence Scale for Estimating Incomes or Budget Costs by Family Type* (BLS Bulletin 1570–2).

[15] See, for example, Department of Agriculture, *Food Consumption and Dietary Levels of Rural Families in the North Central Region*, 1952 (AIB No. 157), page 44.

younger family members. By and large, earnings have risen more than public income-support payments from which aged retired couples derive most of their current income. Most elderly persons not working would not be able to afford the moderate level of living unless they had substantial assets or other resources to add to their retirement pay.

But more important than how much is what style. In developing budget estimates, the foremost question concerns the standard or level of living to be described by the budget. The agreed-on designation in the present instance is "modest but adequate." For a worker, there is implied—by indirection at least—a taking account of current wage rates and the extent to which the worker may expect to share in the high level of productivity he is helping to create. Conceivably the standard could take account also of his hopes for the future—for his children as they grow and for his wife and himself when he is no longer earning a living. For the elderly couple, the budget standard involves a more serious question of concept—that is, the appropriate point of reference. With income in retirement markedly reduced by withdrawal from the labor force and the days of accumulating savings largely past, will the consumption standards of the aged reflect the level of living their preretirement income made possible, or will they be tempered to reduced current income? If the latter, what assumptions will be made as to the amount and depletion rate of savings and other resources? Or should the standard for the retired worker and his family reflect rather the idea of "modest but adequate" living prevailing among those still working full time, with appropriate adjustments —such as altering outlays related to employment to take account of lower transportation and clothing costs, as well as those more strictly termed occupational expenses, and deleting those incurred for raising children?

These considerations are important in themselves. They relate also, however, to the larger question of what kind of living we as a society strive to make possible for our older citizens; how much can and will be underwritten by the social security programs, which now afford well-nigh universal coverage; and what portion must remain exclusively the responsibility of the individual himself to provide. A corollary, to be sure, could then be that provision for amassing resources for use later in life be incorporated into the budget standard for the worker during his productive years.

Another question comes to mind. In these days of higher income and an abundance of things, and the greater opportunity for choice, which of the possible standards—or expectations—may consumers' expenditures or experts' judgments be presumed to express?

Although for many purposes the list of goods and services in the budget stands alone and for others only cost estimates for separate components are required, there are occasions when the question posed is not just "what do elderly couples need" but "how many actually have this much?" How much families need and how they spend their money are highly individual matters of balancing needs and preferences. For a retired couple, the preretirement level of living and the inventory of goods on hand play an important role. As the Bureau of Labor Statistics indicates, few families would be expected to allocate available funds precisely as the budget indicates. In all probability, the budget costs will appear to be relatively high compared with the incomes of the elderly.

One attempt at an answer would imply that "other resources" supplement the income of the elderly couple sufficiently to support the budget. Those having such "other resources" in the form of savings and other assets convertible into cash are relatively few, however, and more often than not are couples whose incomes already are above the cost level of the budget standard.

In any case it can be shown that even the liquidation of assets and prorating of the resultant income over average remaining life-times will not materially alter the income distribution of the aged.[16]

Though there are more public programs designed to help provide income in old age than at earlier stages, persons aged 65 or older continue to have a higher poverty rate than any other age group. The moderate standard of living developed by the Bureau of Labor Statistics reminds us that even a minimum level of comfort in old age is not yet in store for every worker. But rising expectations suggest that few of today's young workers will in their turn be satisfied with so little.

[16] See *1963 Survey of the Aged*, op. cit.