Family Resources To Meet Costs of a Worker's Last Illness and Death

By Janet Leland*

To SHED SOME LIGHT on the immediate economic problems arising at the death of the wage earner, information has been obtained for 737 families—consisting of a widow with or without children — to which monthly survivor benefits were awarded in 1940 under the Social Security Act. The present discussion is limited to data on the family's bills for the worker's last sickness and burial and on lump-sum amounts, apart from any payments under the Social Security Act, which became available to the family because of the death. Such lump-sum amounts, called death benefits for the purposes of this article, include proceeds of commercial insurance policies, lump-sum payments under veterans' legislation or workmen's compensation laws, death benefits from fraternal and benevolent orders or employee welfare funds, and the like. Pensions and annuities, as well as all types of payment under the Social Security Act, were excluded.

To some families, the funds received at the death of the worker doubtless represented a provision made explicitly for funeral expenses. To others, the amounts received at that time — for example, proceeds from an ordinary life insurance policy—must have been intended and needed to meet larger and long-range problems of family support. The present study is limited to an analysis of the adequacy of death benefits in meeting the last illness and burial cost only. It makes no attempt to relate death benefits or death costs to the total resources of the family or to their total immediate or continuing obligations and the problems they faced in adjusting to the loss of the worker's earnings. In general, it may be presumed that these families did not have substantial resources other than the death benefits and the monthly survivor benefits to which they became entitled under the Social Security Act. In the study of beneficiary resources it was found that, at the time of the interview, a year or two after the worker's death, from 31 to 42 percent of the beneficiary families composed of widows with children had no assets except the monthly benefits under the Social Security Act, while an additional 18 to 24 percent had assets valued at less than $1,000.

The Sample

The 737 families included in this analysis of death benefits and death costs comprised more than two-fifths of all families to which monthly survivor benefits were awarded in 1940 in 7 cities—Philadelphia, Baltimore, St. Louis, Los Angeles, Memphis, Birmingham, Atlanta. The following table shows the distribution of the sample among the 7 cities surveyed and the relation of the number of families interviewed to the total beneficiary group in each city.

City	Number of schedules	Percent of total sample	Total sample as percent of all families, awarded monthly survivors benefits in 1940 in each city
Total	737	100	42
Atlanta	70	10	47
Baltimore	75	10	53
Birmingham	89	12	41
Los Angeles	197	27	30
Memphis	52	7	53
Philadelphia	74	10	28
St. Louis	174	24	48

More than three-fourths of these families included a child or children entitled to child's benefits; usually the widow also was entitled to or eligible for a widow's current benefit. In the remaining families, the beneficiary was an aged widow.

For all 7 cities, the modal average monthly wage class of the workers upon whose wages the claims were based was $75 to $100, the median class was $100 to $125, and the average monthly wage for all workers was $111.82.[1] Negroes, who comprised about one-sixth of all workers and were concentrated in the 3 Southern cities, had much lower average wages than the deceased workers as a group. In Memphis, Birmingham, and Atlanta, Negroes represented about one-third of the families surveyed and accounted for more than two-thirds of the wage earners in those cities whose average monthly wages were $75 or less.

Table 1.—*Percentage distribution of families by average monthly wage of deceased wage earner*

Average monthly wage	Families included in study[1]: Number	Families included in study[1]: Percent	Estimated percentage distribution of—: All families in United States receiving monthly survivors insurance benefits in 1940	Estimated percentage distribution of—: All wage earners in United States whose deaths resulted in lump-sum awards in 1940[2]
Total	737	100	100	100
$50.00 or less	110	15	10	25
50.01–75.00	105	14	15	19
75.01–100.00	130	19	19	16
100.01–125.00	120	16	15	13
125.01–150.00	84	11	11	8
150.01–200.00	90	13	12	9
More than 200.00	86	12	12	10

[1] Sample was drawn from families who filed claims in 1940 in 7 cities; interviews were conducted in 1941 and 1942.
[2] Under old-age and survivors insurance.

The information obtained from the study must be considered only as illustrative and not as necessarily representative of beneficiary families or wage-earning families in general. The sample is limited to 7 cities and to claims filed in 1940, the first year of monthly benefit payments, and the interviews in which the data were gathered were held in 1941 and 1942. The families included are only those

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[1] "Average monthly wage" is used here in its statutory meaning for old-age and survivors insurance. Thus, periods of nonemployment are averaged in with periods of employment.

in which survivors were entitled to benefits—therefore those in which a worker had had at least the qualifying amount of covered employment and wages during the 3 years preceding his death. The questions on death benefits and on costs of last illness and burial were not uniform for all 7 cities, and the analysis applies only to the 3 Southern cities and Los Angeles.

Moreover, the average monthly wages of the deceased workers were slightly higher than those of all workers in the United States whose deaths give rise to monthly survivor benefits and markedly higher than those of workers whose deaths give rise to lump-sum payments under the Social Security Act. Since the average monthly wage was found to have a correlation with both death benefits and death costs, the experience of these families therefore may have differed significantly from that of insured families or wage-earning families in general.

Resources Arising as a Result of the Wage Earner's Death

More than four-fifths (83 percent) of the 737 families of deceased wage earners received insurance or other death benefits, apart from those provided under old-age and survivors insurance (table 2). A large majority of the families reported some benefits from life insurance policies (industrial, ordinary, group, and burial); 6 percent, however, reported only benefits from various other sources, including union funds, employee welfare funds, the Veterans Administration, and workmen's compensation.

Table 2.—*Receipt of lump-sum death benefits other than old-age and survivors insurance payments, upon death of wage earner*[1]

City	Number of families	Percent of families: Total	Receiving some life insurance	Receiving miscellaneous benefits only[2]	Receiving no benefits
Total	737	100	77	6	17
Philadelphia, Baltimore, and St. Louis	323	100	73	5	22
Memphis, Birmingham, and Atlanta	217	100	86	6	8
Los Angeles	197	100	75	6	19

[1] See table 1, footnote 1.
[2] Includes payments from unions, welfare funds, Veterans Administration, and workmen's compensation.

Although the 3 Southern cities had the lowest average monthly wage levels of the 7 cities, 92 percent of the deaths in those cities gave rise to lump-sum insurance or miscellaneous death benefits. This proportion contrasts with 78 percent for Philadelphia, Baltimore, and St. Louis and 81 percent for Los Angeles.

No significant relationship appeared between the amount of the average monthly wage of the worker and the existence of death benefits. The amount of the average monthly wage, however, was related to the amount of death benefits.

The death benefits received were usually substantial. In more than three-fourths of the 589 families for which the amount of the benefit was reported, the survivors received $500 or more, and in three-fifths of the families the benefit was at least $1,000. It was rather surprising that nearly half (44 percent) of the families in which the wage earner's monthly wage was $50 or less received a death benefit of at least $500 (table 3).

Table 3.—*Percentage distribution of families by amount of lump-sum death benefit received, by average monthly wage of deceased wage earner*[1]

Average monthly wage	Number of families: Total	Death benefits unknown	No death benefit received	Death benefit received	Percentage distribution of families receiving lump-sum death benefit by amount of benefit[2]: Total	Less than $100	$100-199	$200-299	$300-399	$400-499	$500-999	$1,000 or more
Total	737	16	132	589	100	2	5	5	5	5	18	60
$50.00 or less	110	3	25	82	100	7	12	16	9	12	22	22
50.01-75.00	105	3	19	83	100	2	7	8	7	9	28	39
75.01-100.00	136	3	24	109	100	2	6	6	6	10	21	49
100.01-125.00	120	3	23	94	100	2	2	1	3	3	24	65
125.01-150.00	84	1	16	67	100	0	4	3	1	2	15	75
150.01-200.00	96	2	14	80	100	0	1	3	4	0	6	86
More than 200.00	86	1	11	74	100	0	0	0	0	0	8	92

[1] See table 1, footnote 1.
[2] Excludes pensions, annuities, and old-age and survivors insurance payments.

Costs Connected With Death

Burial costs.—More than half of the 560 burials for which data were reported (table 4) cost between $200 and $499. Nearly one-third (31 percent) cost at least $500, and only 15 percent cost less than $200.

The correlation between the average monthly wage and the amount of the burial costs is striking. When the average wage was $50 or less, the modal burial costs were $100–199; when the average wage was $75–100, the modal burial costs were $300–399; and when the average wage was $150–200, the modal costs were $500–599. The information suggests that

Table 4.—*Percentage distribution of families by reported*[1] *burial cost, by average monthly wage of deceased wage earner*[2]

Average monthly wage	Number of families: Total	Burial cost unknown[1]	Burial cost reported	Percentage distribution of families reporting burial cost by reported cost: Total	Less than $100	$100-199	$200-299	$300-399	$400-499	$500-599	$600-799	$800-999	$1,000 or more
Total	737	177	560	100	2	13	19	19	16	14	11	3	3
$50.00 or less	110	21	89	100	7	33	30	13	7	6	3	1	1
50.01-75.00	105	19	86	100	1	19	29	16	17	12	4	1	1
75.01-100.00	136	41	95	100	1	12	18	23	19	14	9	4	0
100.01-125.00	120	31	89	100	3	9	15	26	18	14	11	3	1
125.01-150.00	84	16	68	100	0	9	21	19	16	19	15	0	1
150.01-200.00	96	36	60	100	0	4	7	17	17	24	14	11	6
More than 200.00	86	19	67	100	0	1	12	18	16	16	27	0	12

[1] All the 74 Philadelphia families and 103 families in other cities did not report burial costs.
[2] See table 1, footnote 1.

burial costs are typically from three to four times the average monthly wage of the deceased wage earner, but there is wide dispersion above and below this typical cost.

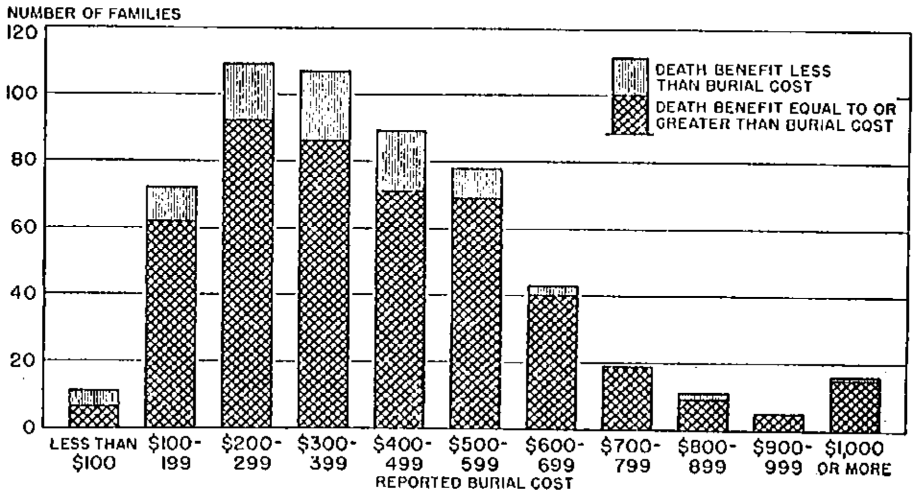
Of the 737 families, 517 received death benefits and reported the amount of burial costs (table 5 and chart 1). Burial costs were reported also by 43 of the 132 families which did not receive death benefits. For 14 of the 517 families, the costs exceeded the death benefits; for 90,[2] the costs were approximately the same as the amount of the death benefits; and for 413, or four-fifths of these families, the amount of the death benefits clearly exceeded the burial costs.

These surveys indicate, therefore, that the lump-sum amounts received because of the death of the worker were usually enough to cover the cost of burial. Among the 737 families in the 7 cities there were 132, however, which received no death benefits (table 3). Thus, including the 14 families in which burial costs were known to have exceeded the death benefits, there was at least 1 family in 5 in which the wage earner's death did not give rise to resources sufficient to cover even his burial costs.

When death benefits were less than $500, there was a marked tendency for burial costs to equal, and occasionally to exceed, the amount received. When death benefits were $500 or more, burial costs were ordinarily smaller than the benefits. Although burial costs tended to rise somewhat as the amount of insurance or other receipts increased, the excess of death benefits over burial costs increased with increase in the death benefit.

[2] Includes 15 families for which both the burial costs and death benefits were recorded as "$1,000 or over." In most of these, the death benefits were probably materially in excess of the burial costs, although they fall into the same class interval on the table.

Chart 1.—*Distribution of 560 families by reported burial cost, 1940* [1]



[1] See table 1, footnote 1, and table 4, footnote 1.

The cost of last illness.—Discussion of the data concerning costs of last illness (table 6) is limited to families in the 3 Southern cities and Los Angeles, since only these cities reported this information for all families, whether or not a death benefit was reported. In half of the 390 families for which information on this point was obtained, the survivors reported that there were no costs connected with the wage earner's last illness to be paid after the death. It seems probable that in certain of these cases some medical and hospital care had been furnished without charge by individuals or institutions or provided for by insurance, public hospitals, employers, or benevolent associations. Probably some families also did not report small bills of $5 or $10; such an omission was not serious, however, since small sums would have relatively little effect on the total costs of death and the residue of cash left after they had been paid. It is also possible that survivors occasionally failed to report medical expenses when they were paid out of funds other than death benefits.

Eighteen percent of the families reported medical expenses of less than $100; 15 percent, $100–249; and 17 percent, $250 or more. There was a relationship between the worker's average monthly wage and the costs of his last illness. With increase in the average monthly wage, both the frequency and the amount of reported costs of the wage earner's terminal illness increased. In the $75–100 wage class, for example, only 12 percent had final medical expenses of $250 or over, whereas in the more than $200 wage class 42 percent had medical costs of at least $250.

Table 5.—*Distribution of families by reported [1] burial cost, by amount of lump-sum death benefit received [2]*

Amount of lump-sum death benefit [3]	Number of families													
	Total	Burial cost unknown	Burial cost reported	Reported burial cost										
				Less than $100	$100-199	$200-299	$300-399	$400-499	$500-599	$600-699	$700-799	$800-899	$900-999	$1,000 or more
Total	737	177	560	11	72	109	107	89	78	43	19	11	5	16
None	132	89	43	5	7	13	8	7	-----	2	-----	-----	-----	1
Unknown	16	16	0	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Less than $100	12	4	8	5	3	-----	-----	-----	-----	-----	-----	-----	-----	-----
100-199	28	2	26	-----	20	4	1	1	-----	-----	-----	-----	-----	-----
200-299	31	1	30	-----	8	21	1	-----	-----	-----	-----	-----	-----	-----
300-399	29	6	23	-----	7	2	11	2	-----	1	-----	-----	-----	-----
400-499	32	6	26	-----	3	10	5	8	-----	-----	-----	-----	-----	-----
500-599	43	8	35	-----	-----	9	7	9	9	-----	-----	1	-----	-----
600-699	20	2	18	-----	3	8	2	4	1	-----	-----	-----	-----	-----
700-799	14	0	14	-----	1	2	5	3	3	-----	-----	-----	-----	-----
800-899	17	0	17	1	3	2	4	3	2	1	-----	1	-----	-----
900-999	13	3	10	-----	1	1	2	2	2	2	-----	-----	-----	-----
1,000 or more	351	41	310	-----	16	37	61	50	61	37	19	9	5	15

[1] All the 74 Philadelphia families and 103 families in other cities did not report burial costs.

[2] See table 1, footnote 1.

[3] Excludes pensions, annuities, and old-age and survivors insurance payments.

Total Costs of Death

Total costs of death—burial costs and costs of last illness combined—were reported for 389 (94 percent) of the 414 families in the 3 Southern cities and Los Angeles. Nearly half of these families reported total costs of from $200 to $499. More than one-tenth had expenses of at least $1,000, and 16 percent had final expenses totaling less than $200.

The amount of the total, as well as of its components, appeared to be related to the worker's average monthly wage. When the average monthly wage was $50 or less, the majority had total costs of less than $300; when the average wage exceeded $50, total costs were usually at least $300; and when the average wage exceeded $150, the majority had total costs of at least $600.

Residue

More than two-thirds of the families for which information on both total death costs and death benefits was available had a residue of cash after all the costs had been met. For purposes of this study, residue is used to indicate the difference, if any, between the amount of death benefits received and the total cost of the last illness and burial. In determining this residue, no account was taken of resources other than death benefits or of other obligations, present and future, of the family. Nearly one-third of the 411 families in the 3 Southern cities and Los Angeles for which these data were recorded had no residue.[3] For the remainder of these families, the death benefit exceeded the total immediate costs arising from the death. The existence of a residue appeared to have a direct relationship to the average monthly wage. In more than half the families in which the average monthly wage had been $50 or less, there was no residue; when the average monthly wage was more than $100, from 15 to 33 percent had no residue.

Where a residue did exist, it was usually a fairly substantial amount. More than one-third of all the families had at least $1,000, and 14 percent had from $500 to $999; one-fifth had less than $500. The amount of the residue was also related to the average monthly wage. A surprisingly high proportion in each wage class had large residues. From 14 percent in the lowest wage class to 77 percent in the highest class had at least $500 in residue.

In weighing the significance of the residue, it should be borne in mind that it was not necessarily available to the family to pay current living expenses or provide a reserve for emergencies. Undoubtedly the residue after death costs were paid was often drawn upon to meet other costs or to meet bills incurred previously. Many wage earners were in debt at the time of death. Such debts often were back bills which may have been incurred partly as a result of the wage earner's illness or declining earning capacity. It is not unlikely that the surviving family was often under considerable pressure to pay outstanding bills.

[3] Although only 389 families reported total costs, data on residue are presented for 411 families, since families which received no death benefits are classified as having had no residue.

Table 6.—*Percentage distribution of families by reported[1] cost of wage earner's last illness, by average monthly wage of deceased wage earner[2]*

Average monthly wage	Number of families	Percentage distribution by reported cost of last illness						
		Total	None	Less than $100	$100-249	$250-499	$500-999	$1,000 or more
Total	390	100	50	18	15	8	6	3
$50.00 or less	70	100	67	22	7	3	1	0
50.01-75.00	60	100	60	22	18	0	0	0
75.01-100.00	54	100	67	20	11	4	2	0
100.01-125.00	60	100	34	23	23	12	5	3
125.01-150.00	47	100	51	21	11	9	8	0
150.01-200.00	49	100	41	6	16	10	21	6
More than 200.00	50	100	32	10	16	24	12	6

[1] No reports on cost of last illness obtained from families in Philadelphia, Baltimore, or St. Louis, or from 24 families in other cities.

[2] See table 1, footnote 1.

Over-All Observations on the Data

Death benefits received by survivors of these 737 wage earners were usually more than sufficient to meet the costs immediately connected with the death. In nearly one-third of the families in the 3 Southern cities and Los Angeles, however, such costs completely absorbed any benefits.

A significant proportion of these families had no insurance protection other than that under the Social Security Act for the costs incidental to the last illness and death. More than one-sixth received no lump-sum death benefits. Unless there were savings to meet these expenses, these costs had to be borne out of current income. Since the benefits provided by the old-age and survivors insurance program usually constitute a substantial part of the current income of the family, it is not unlikely that some

Table 7.—*Percentage distribution of families by reported[1] residue of death benefit after deduction for cost of last illness and burial, by average monthly wage of deceased wage earner[2]*

Average monthly wage	Number of families			Percentage distribution of families reporting residue by amount of residue										
	Total	Residue not reported	Residue reported	Total	None[3]	Less than $100	$100-199	$200-299	$300-399	$400-499	$500-599	$600-799	$800-999	$1,000 or more
Total	737	326	411	100	31	5	5	5	2	3	3	6	5	35
$50.00 or less	110	35	75	100	51	7	13	9	3	3	0	4	1	9
50.01-75.00	105	41	64	100	33	9	5	6	5	5	3	8	3	23
75.01-100.00	136	78	58	100	36	7	2	12	2	2	2	7	8	22
100.01-125.00	120	57	63	100	25	2	3	3	3	5	5	11	2	41
125.01-150.00	84	36	48	100	27	4	2	2	0	2	2	4	11	46
150.01-200.00	96	45	51	100	17	0	4	4	2	2	0	6	4	55
More than 200.00	86	34	52	100	15	2	4	0	2	0	2	4	6	65

[1] No reports on residue obtained from families in Philadelphia, Baltimore, or St. Louis, or from 3 families in other cities.

[2] See table 1, footnote 1.

[3] Includes families which received no death benefits.

portion of these benefits was diverted to the payment of the final expenses of the deceased wage earner.

The observations drawn from this study do not necessarily apply to the majority of deaths of wage earners insured under the Federal program, since they reflect experience only in families in which the insured wage earner's death gave rise to monthly survivor benefits. About two-thirds of all deaths of insured workers give rise to only lump-sum payments and not to the immediate award of monthly benefits. Since the level of the average monthly wage is considerably higher in survivorship benefit cases than it is in lump-sum death payment cases, it is very probable that the wage earners whose deaths give rise to lump-sum death payments have more limited insurance protection than does the group used in this study.

The "Why" Survey of the Bureau of Old-Age and Survivors Insurance

By Roy E. Touchet*

THE "WHY" SURVEY, as it came to be called, was an economy campaign in which all employees of the Bureau of Old-Age and Survivors Insurance were asked to take part during the first 6 months of 1943. In July 1942 the Bureau had 10,000 employees. Needs of war agencies and industries and calls to the armed services began to make progressively heavy inroads on personnel. Five months later, in November 1942, there were only 9,200 employees, though the Bureau had more work to do. Obviously, if old-age and survivors insurance was to be effectively administered during wartime, something had to be done.

An ingenious but less patriotic and far-sighted management might well, even then, have been satisfied with finding ways to recruit more people. A new, direct method of recruitment did raise the total number of employees on duty by February 1943 to 9,800. They were needed at least until economies and short cuts could be designed and put into operation. But since the labor market was getting tighter, full reliance was not placed on the new recruitment methods. There was also the clear duty to contribute directly to the war effort by freeing as many employees as possible to war industries and war agencies. The Bureau wanted only the number necessary to serve present and future beneficiaries efficiently and adequately and to meet the immediate needs of the program. Out of these conditions the "why" survey came into being.

The Bureau recognized the approaching need for economy of manpower even before labor shortages became serious. More than a year earlier it had drawn a statement of policy objectives to be attained, only to learn that substantial economies, particularly in an already economical administration, cannot be achieved so simply. It knew now that it was essential that an economy program be planned effectively and managed energetically; that it must be complete so as to miss nothing and to be fair to all; and that, as in any other work project, definite time schedules for completion should be set, to make results certain.

The Bureau is a large organization. It would have been impracticable to set a force of industrial engineers or administrative analysts to work applying their streamlining techniques to its numerous and complex operations. There was not time, even if a sufficient number of analysts had been available. Yet the techniques of the engineer or analyst provided the only way to obtain the economies needed. Somehow, as many of the Bureau's employees as possible would have to apply those techniques, even though there was too little time to make a sufficient number proficient in them. Even without such knowledge, however, most employees have some ideas about how their work can be done more efficiently or more economically, and it was therefore decided that all employees must have a part in this program.

The Methods Employed

Because nearly 10,000 employees were involved, an employee suggestion system was considered a necessary part of the survey. But it could not be merely an undirected appeal for suggestions. Most suggestion systems fail because the efforts of the employees are not focused on any particular operations at any particular time; a flood of hurriedly conceived suggestions comes in shortly after the opening announcement of a campaign and then stops. The Bureau realized that a flow of suggestions could not be sustained unless, during the entire period of special effort, a directed program for employee study of designated operations was laid down.

More than an employee suggestion system was wanted and needed. Too often, supervisory employees, who should be the most prolific source of job improvement, are content with obtaining enthusiastic participation from nonsupervisory employees. This is the easy way—one which obviates the necessity of thinking, or at least very hard thinking, on the part of the supervisor. In this instance the number of supervisors was small enough to permit getting over to them, in writing, some knowledge of the techniques of the engineers and analysts. Provision was made for that, too.

One of the prime tools of the engineer or analyst is the now widely known job break-down. For practical purposes, the survey compromised with this technique by furnishing the job break-downs to supervisors instead of having them go through the process themselves. All functions of the Bureau were broken down into 67 separate activities, each of which was further broken down into either steps of performance or other analytical data which showed the content of the activity. Forms were provided for each activity which showed these steps or data, where they were performed, and the man-days per year required to perform them. Spaces were left on the forms for the supervisors to fill in certain information, such as the reasons for performance and recommendations for changes or improvement.

Supervisors also filled out a blank companion form for each activity,

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