

Table 3.—Number and average monthly amount of old-age benefits in current-payment status at the end of each calendar quarter, by eligibility status, June 1950–June 1951

[Based partly on 20-percent sample]

| Calendar quarter ending— | Total | | 1939 eligibles | | New eligibles | | |
|--------------------------|-----------|------------------------|----------------|------------------------|---------------|------------------------|---|
| | Number | Average monthly amount | Number | Average monthly amount | Number | Average monthly amount | As percent of all old-age beneficiaries |
| June 1950..... | 1,384,823 | \$26.30 | 1,384,823 | \$26.30 | | | |
| September 1950..... | 1,444,772 | 46.62 | 1,432,558 | 46.79 | 12,214 | \$26.32 | 1 |
| December 1950..... | 1,770,984 | 43.86 | 1,517,257 | 46.96 | 253,727 | 25.33 | 14 |
| March 1951..... | 1,971,703 | 43.10 | 1,607,235 | 47.13 | 364,468 | 25.32 | 18 |
| June 1951..... | 2,090,668 | 42.57 | 1,653,147 | 47.24 | 437,521 | 24.92 | 21 |

monthly amount for all old-age beneficiaries was only 62 percent, even though the average amount payable to 1939 eligibles increased during the same period by 80 percent.

Survivor Protection as of January 1, 1951

The 1950 amendments to the Social Security Act increased substantially the amount of survivor protection under old-age and survivors insurance. The benefit level was adjusted for the changes since 1939 in wages and living costs, coverage was extended to new groups, and other liberalizations were made. Earlier studies by the Office of the Actuary gave estimates of the amount of life insurance in force under the program established by the 1939 amendments to the Act; Actuarial Study No. 31,¹ which is summarized here, takes into account the effect of the 1950 amendments and estimates the amount of life insurance in force on January 1, 1951.

The amount of life insurance in force under old-age and survivors insurance is the present value of all monthly survivor benefits and lump-sum payments available with respect to all insured workers as of any date, on the assumption that death occurred on that date.

Though the amount of life insurance in force under old-age and survivors insurance has many points of similarity with the concept developed under private insurance, there are certain important points of difference. Generally, the amount of insurance

¹Louis O. Shudde, *Estimated Amount of Life Insurance in Force as Survivor Benefits Under Social Security Act Amendments of 1950*, September 1951.

under a private contract is definitely known or can be easily determined. Under old-age and survivors insurance, however, conditions for receipt of benefit are not based solely on life contingencies; they depend also on elements more readily under the control of the beneficiary—employment, marriage, and retirement, for example. The concept of insurance in force under old-age and survivors insurance therefore permits several interpretations, and a range of estimates is given in the accompanying table.

Calculation of the amount of survivor protection involves several factors, including the assumption of interest rates and the use of mortality and remarriage rates. In the present study, interest rates of 2 percent and 3 percent have been assumed for both the gross and the net estimates. Mor-

Estimated amount of life insurance in force, January 1, 1951, by type of benefit under old-age and survivors insurance

[In billions]

| Type of benefit | Gross estimate | | Net estimate | |
|---------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2-percent interest rate | 3-percent interest rate | 2-percent interest rate | 3-percent interest rate |
| Total..... | \$209.2 | \$191.4 | \$185.6 | \$170.1 |
| Widow's..... | 41.7 | 32.2 | 35.4 | 27.4 |
| Mother's..... | 46.3 | 43.8 | 32.4 | 30.6 |
| Child's..... | 113.2 | 107.4 | 109.8 | 104.2 |
| Lump-sum..... | 8.0 | 8.0 | 7.9 | 7.9 |
| Survivor of male workers..... | 184.6 | 167.9 | 161.7 | 147.4 |
| Widow's..... | 41.7 | 32.2 | 35.4 | 27.4 |
| Mother's..... | 46.3 | 43.8 | 32.4 | 30.6 |
| Child's..... | 91.0 | 86.3 | 88.3 | 83.8 |
| Lump-sum..... | 5.6 | 5.6 | 5.5 | 5.5 |
| Survivor of female workers..... | 24.6 | 23.4 | 23.9 | 22.8 |
| Child's..... | 22.1 | 21.0 | 21.5 | 20.4 |
| Lump-sum..... | 2.4 | 2.4 | 2.4 | 2.4 |

tality of survivor beneficiaries is assumed to follow the death rates in the United States Life Tables, 1939–41, for white females; both estimates assume remarriage rates for widow beneficiaries equal to 150 percent of those under the American Remarriage Table (based on 1916–29 experience).

On January 1, 1951, life insurance in force as survivor benefits under the amended act had a gross estimated value of about \$200 billion, the amount varying from \$191 to \$209 billion, depending on the interest rate used. The net estimated value is \$170 to \$185 billion; this is perhaps a more realistic estimate than the gross figure since it takes into consideration the effects of the work clause and the possible cancelling of survivor benefits for widows who may be eligible for retirement benefits in their own right.

On the same date, life insurance in force in private companies amounted to \$234 billion, that held under the Veterans Administration by veterans of World War I or World War II had a value of \$47 billion, and that under the railroad retirement and civil-service retirement systems amounted to perhaps \$15 billion.

In individual cases the amount of life insurance in force under old-age and survivors insurance varies from as little as \$60—the lump-sum death payment for a nonmarried, insured worker eligible for minimum benefits—to a maximum of about \$25,000 for a married, insured worker with several young children and high earnings. A lump-sum payment of \$240 would be made at the death of the latter worker, monthly benefits would be paid to his children and to his widow while any one of the children was under age 18, and monthly benefits would be paid to the widow after she attained age 65.

Of the liberalizations made by the amendments, several were immediately effective in increasing the amount of survivor protection under the program. Among the more significant are the provision raising the benefit level for both present and near-future beneficiaries by use of the conversion table; the provision increasing maximum and minimum benefits; the “new start” provision that enables older workers to obtain insured status on the basis of as few

as 6 quarters of covered employment; the granting of wage credits for World War II military service; and the provision for payment of a lump sum on the death of any insured worker.

The new benefit formula established by the amendments for future beneficiaries will not become effective, however, until April 1952. The expansion of coverage, also, will have little effect until that time, since newly covered workers cannot obtain insured status before then. It is estimated that, as a result of these two factors, the amount of survivor insurance protection will be increased by about one-third. Thus, at the beginning of 1953 the amount of survivor protection will be \$255-280 billion, on the basis of the gross estimates, and \$225-250 billion on the basis of the net estimates. The importance of old-age and survivors insurance in the national economy is indicated by the fact that these totals will about equal the amount of life insurance in force now held in all private insurance organizations combined.

New Types of Benefits, September 1950-June 1951

Two new types of benefits—husband's and widow's—were added to the old-age and survivors insurance program by the 1950 amendments to the Social Security Act; the eligibility provisions for two others—wife's and mother's insurance benefits—were broadened. Preliminary data on these types of monthly benefits awarded during September-December 1950 were presented in the May 1951 issue of the BULLETIN (page 25). Revisions in those figures and preliminary data for January-June 1951 are shown below.

Wife's and mother's benefits.—The amendments provide for payment of benefits to the wife of an old-age insurance beneficiary when she is under age 65 if she has a child beneficiary in her care. Monthly benefit awards to wives in this group totaled almost 32,000 in the 10 months ended June 30, 1951 (table 1). Many of these awards were made to wives of retired workers who had become entitled to old-age benefits before the 1950 amendments were enacted. The larger number of awards in the April-June 1951 quarter

Table 1.—Number and average monthly amount of new types of benefits awarded in specified periods, by type of benefit, September 1950-June 1951

[Corrected to Dec. 4, 1951]

| Type of benefit | Period | | | | | | | |
|-----------------------------|--------|------------------------|-----------------|------------------------|----------------|------------------------|----------------|------------------------|
| | Total | | Sept.-Dec. 1950 | | Jan.-Mar. 1951 | | Apr.-June 1951 | |
| | Number | Average monthly amount | Number | Average monthly amount | Number | Average monthly amount | Number | Average monthly amount |
| Wife's ¹ | 31,840 | \$14.91 | 9,646 | \$13.06 | 9,811 | \$14.87 | 12,383 | \$16.37 |
| Husband's..... | 2,850 | 19.41 | 812 | 19.97 | 1,218 | 19.38 | 820 | 18.90 |
| Widower's..... | 212 | 32.59 | 63 | 37.23 | 82 | 32.04 | 67 | 28.91 |
| Mother's ² | 87 | 35.74 | 12 | 37.29 | 23 | 40.04 | 52 | 33.46 |

¹ Under age 65.

² Former wife divorced.

resulted from a concentrated effort by the Bureau of Old-Age and Survivors Insurance in the preceding quarter to notify potential claimants of their rights under the new provisions and thus help them to avoid loss of benefits. Under the new law a claimant filing application before April 1951 could, if eligible, receive benefits beginning with September 1950.

By the end of June 1951, one-fifth of the benefits awarded in the preceding 10 months to wives under age 65 had been terminated or suspended. Entitled children of retired workers are, on the whole, older at the time of award than entitled children of deceased workers. Since benefits to a wife under age 65 terminate when no child under age 18 is entitled to benefits, the period during which the wife receives benefits may be of relatively short duration. This is particularly true in the case of wife's benefit awards in families where children were on the rolls before September 1950, since the

average age of the children was higher at the time of the wife's award than at the time the children were first awarded benefits. A wife under age 65 is more likely to have her benefit withheld because she is working in covered employment than a wife aged 65 or over, since it is easier for a younger woman to find employment. Then, too, the average age of husbands of women under age 65 who are entitled to wife's benefits is lower than the average age for all married men with wives entitled to wife's benefits; these younger men are more likely to have jobs that cause suspension of the wife's benefit.

At the end of June 1951, about 25,000 wives under age 65 were receiving monthly benefits averaging \$14.42 (table 2). This low average benefit was due chiefly to reduction in amount because of the maximum family benefit provisions. A reduction is necessary in families with a wife and one child entitled if the old-age benefit is \$20.10-55.90, and in families with a wife and more than one child entitled, regardless of the old-age benefit amount. Since the old-age benefit is never reduced, the reduction necessary to keep the sum of the benefits payable to the family from exceeding the statutory maximum is made only in the wife's and child's benefits.

Under the broadened eligibility provisions for mother's insurance benefits, the "former wife divorced" of an insured deceased worker is eligible for monthly benefits if she was receiving at least half of her support from him at the time of his death and is the mother of his entitled child. More benefits (52) were awarded to divorced wives in the April-June 1951 quarter than in the preceding 7 months. At

Table 2.—Number and average monthly amount of new types of benefits in current-payment status at the end of the month, by type of benefit, December 1950 and June 1951

[Corrected to Dec. 4, 1951]

| Type of benefit | At end of— | | | |
|-----------------------------|---------------|------------------------|-----------|------------------------|
| | December 1950 | | June 1951 | |
| | Number | Average monthly amount | Number | Average monthly amount |
| Wife's ¹ | 8,865 | \$12.85 | 24,959 | \$14.42 |
| Husband's..... | 797 | 20.01 | 2,330 | 19.55 |
| Widower's..... | 63 | 37.23 | 161 | 29.88 |
| Mother's ² | 12 | 37.29 | 73 | 35.47 |

¹ Under age 65.

² Former wife divorced.

the end of June 1951 about 70 divorced wives were receiving benefits at an average monthly rate of \$35.47.

Husband's and widower's benefits.—The dependent husband, or the dependent widower, of a wage earner who was both fully and currently insured when she became entitled to old-age insurance benefits or when she

died (after August 1950) may qualify at or after age 65 for monthly benefits on his wife's record. Awards to dependent husbands reached a peak of 1,200 in the January-March 1951 quarter; by the end of June, 2,850 benefits had been awarded and about 2,400 husbands were receiving monthly benefits averaging \$19.60.

Since widower's benefits are payable only with respect to deaths after August 1950, no backlog of potentially eligible widowers comparable to that for dependent husbands was established by the amendments. At the end of June about 175 widowers were receiving benefits; the average monthly amount was \$30.45.

SOCIAL SECURITY IN REVIEW

(Continued from page 2)

about 80 percent of the total number of employees of nonprofit organizations eligible for coverage.

THE TOTAL number of persons aided under the public assistance programs continued to drop in October. Decreases of nearly 13,000 in old-age assistance and of 29,000 in aid to dependent children far outweighed the increases of about 1,200 in the number of individuals helped through payments of aid to the permanently and totally disabled and of about 2,000 in the number getting general assistance. Recipients of aid to the blind remained almost the same in number as in September.

The general assistance caseload for the Nation showed the first rise since January. The change was small and half the States reported decreases. Lower caseloads for old-age assistance and aid to dependent children were more general, occurring in two-thirds of the States for the aged and four-fifths of the States for aid to dependent children families. In some of these States the decreases reflect legislative or administrative action to reduce the assistance rolls. The largest State change in old-age assistance, for example, was the 13-percent drop in the number of recipients in North Carolina that resulted chiefly from the

imposition in October of a blanket lien on the real property of recipients. The largest change in aid to dependent children, a 5.8-percent decrease in Florida, continued a reduction that had started in July and that, by October, amounted to more than a fourth of the June caseload. This reduction, caused by a drastically reduced appropriation, was effected by restricting eligibility due to the incapacity or absence of a parent and requiring mothers of deserted or abandoned children to take court action against the persons liable for their support.

The cost of assistance rose from September to October for each of the programs except aid to dependent children; the total for the five programs, \$189.7 million, was 0.7 percent higher than in September. Average payments increased slightly for each type of assistance. The largest increase, \$1.25 per case in general assistance, probably reflected both seasonal increases in allowances for fuel and clothing in some States and a somewhat higher proportion of family cases than in September.

For all types of assistance, average payments in most States changed by less than \$1. A few States, however, had substantial increases, the largest usually representing the elimination of or reduction in previous cuts in the percentage of need met. Such changes raised the averages for old-age assistance and aid to the blind more than

\$6 in Georgia, the average per family for aid to dependent children more than \$5 in Florida, and that for general assistance cases about \$8 in Louisiana. Missouri increased its payments to blind recipients from \$40 to \$50 as of October 8, when its plan for aid to the blind was approved for Federal participation.

INITIAL CLAIMS for benefits under the State unemployment insurance systems, in a reversal of the downward movement of the two preceding months, showed a seasonal increase in October of 24.3 percent. In the first October increase since 1946, weeks of unemployment claimed, which represent continued unemployment, moved upward 9.5 percent. On an average daily basis, however, initial claims rose only 13.2 percent from the September total, while weeks of unemployment claimed remained virtually unchanged.

During an average week in October, 713,000 unemployed workers received unemployment insurance benefits; total benefits during the month amounted to \$67.4 million. While the average weekly number of beneficiaries was 5.9 percent less than the average in September, benefits were 8.7 percent greater, primarily because of the longer workmonth in October but also as a result of a 20-cent increase in the average check for total unemployment.