

# Public Assistance: Effect of the Increase in Current Old-Age and Survivors Insurance Benefits\*

*The 1950 amendments to the Social Security Act made substantial changes in old-age and survivors insurance coverage and benefits. Of the new provisions that were effective September 1950, one—the increase in current insurance benefits—had an almost immediate effect on public assistance caseloads and expenditures, as reported in the following pages. A later article will summarize the impact on the assistance programs of the provisions, also effective September 1950, liberalizing eligibility conditions for old-age and survivors insurance benefits.*

THE changes in old-age and survivors insurance made by the 1950 amendments to the Social Security Act have already had a noticeable effect on the public assistance programs. The two provisions that are likely to have the greatest ultimate effect are the inclusion of new employments in the definition of covered employment and the more liberal formula under which benefits will be computed in the future.

The amendments that became effective in September 1950, although less important in the long run in their effects on the assistance programs, had immediate import for some persons then receiving assistance and for assistance agencies. Increases in benefits provided by Congress for current beneficiaries affected the persons who, because their benefit and other income did not meet their need, had been receiving assistance in addition to insurance benefits. Some of them had been getting old-age and survivors insurance benefits at or near the minimum—\$10 for retired workers and \$5 for wives. For a parent or a child the minimum was \$10 if a single benefit was based on the wage record; \$5 if more than one benefit was based on the record.

Two studies made in 1948 and 1950 showed that the average amount of assistance paid to beneficiaries who

were also receiving old-age assistance was about double their average insurance benefit.<sup>1</sup> For all aged beneficiaries receiving supplementary old-age assistance payments in June 1948, the average benefit was about \$17.50; the average old-age assistance payment was about \$35.25. For old-age and survivors insurance beneficiaries approved for old-age assistance during April 1949, the average benefit was \$19.84; the average old-age assistance payment was \$39.30.

The provision in the 1950 amendments enabling persons aged 65 and over to qualify for benefits if they had 6 quarters of covered employment made it possible for assistance recipients with only a short period of such employment to qualify for insurance benefits. Still other recipients could qualify under other eligibility liberalizations that came in force in September. For all assistance recipients to whom these changes in old-age and survivors insurance applied, the increased or new income from old-age and survivors insurance might affect the amount of their assistance payments and even their eligibility for assistance.

The full effects of the liberalizations in eligibility effective in September 1950 are not yet known. Benefits could not be received by the persons who

became eligible under these amendments until they filed claims at old-age and survivors insurance field offices and the claims were adjudicated. New beneficiaries among the persons who had been receiving public assistance payments in September 1950 are still being reported by assistance agencies.<sup>2</sup>

In contrast, the increase provided by the amendments for benefits in force was implemented at once. Benefit checks for September 1950, mailed to beneficiaries throughout the Nation in the first week in October, were made out for the larger amount.

## Review of Assistance Cases

Changes in assistance payments to adjust for this additional income were completed much more slowly than the benefit increases. The difference in timing reflects in part a contrast between a federally administered program with responsibility concentrated in the six area offices and programs with policy formulated by the various State agencies and with action on individual cases by local staff in more than 3,000 counties.

To help the assistance agencies in their review, the Bureau of Old-Age and Survivors Insurance prepared tables showing the amount of the converted benefit corresponding to each dollar amount of the former primary benefit, and field-office staff supplied information at the request of assistance agencies on cases complicated by maximum family benefits and other factors.

There was wide variation in the rate at which assistance agencies reviewed their caseloads and adjusted payments. In a number of States the review of the dependent children

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<sup>1</sup> See the *Bulletin* for October 1949 for additional information from the 1948 study; the data for the later study have not yet been published.

<sup>2</sup> The analysis in this article relates only to those persons who received both insurance benefits and assistance payments in September 1950.

cases was postponed because more of such cases than of the old-age assistance cases had to be referred to field offices to learn the amount of the increase in benefit. Some assistance agencies obtained information on the amount of the increase in the insurance benefits from the assistance recipients affected; this procedure also required time. Payment adjustments for all programs were postponed in some States so that assistance agencies might give their first attention to initiating the changes in the public assistance programs under the 1950 amendments. Because the public assistance amendments affected larger proportions of the recipients, the financial advantage to the States was greater and offered an inducement to make these changes first.

In a few States the September 1950 assistance payments to old-age and survivors insurance beneficiaries were adjusted for the increases in their insurance benefits. By the end of October, roughly three-fourths of all aged and blind recipients in the country who received higher benefits and about three-fifths of all aid to dependent children families had had their assistance payments adjusted because of the increases. A few cases were not reviewed until February or later, but the numbers were so small that the States discontinued reporting them as of February.

The reports through that month gave the first comprehensive information since June 1948 on the number of old-age assistance and aid to dependent children cases that also received old-age and survivors insurance benefits, and the first information on the number of persons receiving aid to the blind to supplement old-age and survivors insurance benefits. Some additional insurance beneficiaries doubtless received general assistance, but no reports have been obtained on these recipients.

More than 279,000 aged recipients, more than 1,300 blind recipients, and somewhat fewer than 33,000 families with dependent children had been receiving assistance in addition to insurance benefits at the time of the increase in the benefits. They represented about 10 percent of all recipients of old-age assistance, about 5 percent of all families getting aid

to dependent children, and about 1 percent of the recipients of aid to the blind in States that reported.<sup>1</sup>

### State Variations in Rate of Change

Aged recipients of assistance who also received insurance benefits made up varying proportions of the State old-age assistance caseloads. In September 1950, they represented less than 5 percent in a number of rural States with relatively few insurance beneficiaries and generally lower assistance standards, and about 20 percent in three highly industrialized New England States (table 1).

Only six States reported that as many as 10 percent of their September caseload for aid to dependent children were receiving old-age and survivors insurance benefits. The unusually high rates in these six States reflect both higher-than-average proportions of cases with fathers dead and higher proportions of insured workers in these States. Families with fathers living but absent from the home—which make up a substantial proportion of the current caseload for aid to dependent children—rarely receive old-age and survivors insurance; families with incapacitated fathers in the home also do not qualify for benefits unless the fathers are retired insured workers aged 65 or over.

### Cases Closed

The increases in individual monthly benefits provided by the amendments to beneficiaries already getting benefits ranged, with a few exceptions, from \$5 to almost \$29, depending on the type and amount of the benefit. The average increase received by recipients of old-age assistance was a little less than \$16. For families receiving aid to dependent children, the average increase amounted to about \$30. For some recipients—though relatively few—the increases brought their total income exclusive of assistance up to the amount of their need

<sup>1</sup> Missouri and Nevada did not report on blind pension programs operated without Federal participation; Pennsylvania reported on part of its blind pension load—the cases in which the increases in insurance benefits changed the amount of the blind pension.

Table 1.—Old-age assistance recipients and aid to dependent children families receiving old-age and survivors insurance benefits, by State, September 1950

State	OAA recipients receiving benefits		ADC families receiving benefits	
	Number	Percent of OAA case-load	Number	Percent of ADC case-load
Total.....	279,171	9.9	32,618	5.0
Alabama.....	3,011	3.7	533	2.9
Alaska.....	181	11.3	24	3.9
Arizona.....	1,525	10.8	198	4.7
Arkansas.....	2,562	3.7	302	2.2
California.....	47,867	17.7	2,836	5.2
Colorado.....	4,883	10.4	234	4.2
Connecticut.....	5,178	25.6	774	14.3
Delaware.....	199	11.6	217	7.6
Dist. of Col.....	377	13.1	98	4.5
Florida.....	7,685	11.0	1,144	4.1
Georgia.....	5,736	5.5	721	4.4
Hawaii.....	251	10.0	61	1.6
Idaho.....	1,058	9.3	120	4.8
Illinois.....	13,114	10.5	1,824	7.7
Indiana.....	5,129	9.8	962	8.3
Iowa.....	4,309	8.7	468	9.0
Kansas.....	2,931	7.4	208	4.0
Kentucky.....	2,747	4.0	1,025	4.3
Louisiana.....	10,730	8.8	906	3.0
Maine.....	2,364	15.4	496	11.7
Maryland.....	1,182	9.7	297	4.6
Massachusetts.....	21,526	21.0	1,525	11.2
Michigan.....	15,068	15.0	2,491	9.1
Minnesota.....	4,235	7.5	617	7.8
Mississippi.....	768	1.2	165	1.3
Missouri.....	13,465	10.1	970	3.7
Montana.....	919	7.8	76	3.2
Nebraska.....	1,747	7.4	187	5.1
Nevada.....	499	18.5	151	9.1
New Hampshire.....	1,135	15.2	151	9.1
New Jersey.....	3,534	14.4	766	13.8
New Mexico.....	341	3.3	121	2.3
New York.....	15,413	12.8	2,332	4.1
North Carolina.....	2,706	4.3	665	4.2
North Dakota.....	286	3.2	50	2.7
Ohio.....	13,476	10.7	1,560	10.5
Oklahoma.....	4,735	4.7	398	1.8
Oregon.....	3,974	16.5	305	8.0
Pennsylvania.....	10,960	12.1	2,076	4.2
Rhode Island.....	2,082	19.9	174	4.6
South Carolina.....	1,299	3.1	169	2.4
South Dakota.....	425	3.5	70	2.9
Tennessee.....	2,066	3.1	793	3.1
Texas.....	13,450	5.9	891	4.6
Utah.....	799	7.9	152	4.5
Vermont.....	880	12.6	97	9.3
Virginia.....	851	4.2	363	4.4
Washington.....	11,987	16.2	544	4.6
West Virginia.....	749	2.8	431	2.3
Wisconsin.....	6,295	11.8	921	10.1
Wyoming.....	422	9.8	30	5.2

as measured by assistance standards. Such cases were closed. In any States that set minimum amounts for assistance payments, moreover, if the deficit between a recipient's requirements and his income was reduced below the amount of the minimum payment, the case was closed even though some need remained unmet. Minimum payments are usually set at \$5 or less but are somewhat higher in a few States. Assistance was

discontinued for 12 percent of the insurance beneficiaries on the old-age assistance rolls and for 18 percent of the beneficiary families on the aid to dependent children rolls.

The proportion of cases closed in the States with low per capita income was usually much higher than the proportions for all States, though the number of closings in these States was comparatively small since they are chiefly rural States with relatively few insurance beneficiaries. As a result of the closings the total caseload for old-age assistance was reduced by a little more than 1 percent (more than 33,000 cases) and the aid to dependent children caseload by slightly less than 1 percent (about 5,800 cases). The reduction in aid to the blind through closings was not significant; because the figures are small, the program is omitted in this discussion.

### Payments Suspended

For some of the cases reported by several States as closed, the discontinuance of assistance was only temporary and would be classified by other

States as a suspension.<sup>4</sup> A few States suspended payments immediately after the increase in insurance benefits, until the assistance agency could learn the amount of the increase. In other States some payments were suspended when the cases were reviewed because the recipients had already received benefit increases for several months and the accumulated increases added to previous income was enough to meet the recipients' need for one or more months. Two percent of the old-age assistance cases with increased benefits and 3 percent of the aid to dependent children cases were reported as having been suspended.

### Reduced Payments

The bulk of all cases with increased benefits continued to need assistance, but their payments were usually reduced. Payments were reduced but not stopped for nearly 8 out of 10 of

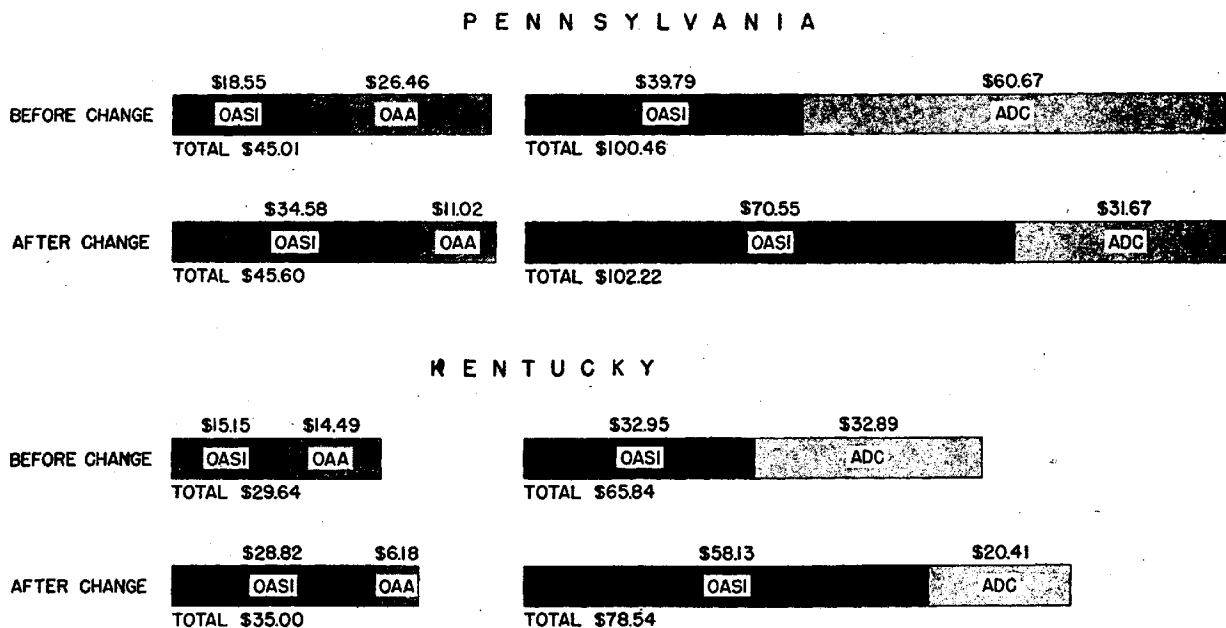
<sup>4</sup>The States that reported such cases as closed had no policy providing for temporary suspensions and no procedures to identify temporary closings for reporting purposes.

all old-age assistance cases that received benefit increases and for nearly 7 of every 10 such cases in aid to dependent children. Some of these cases had previously had unmet need that absorbed some of the increase in benefits. Some assistance agencies recognized new items of individual need or raised the amount allowed in their standards for food or other necessities, thus increasing for all recipients the amount of need established.

The changes in standards were made possible by the savings from both the liberalizations in old-age and survivors insurance and the greater Federal grants allowed for public assistance in the 1950 amendments. A number of agencies, because of fund shortages, had made payments based on less than 100 percent of established need; instead of increasing allowances, these agencies eliminated the cuts or reduced their amount. These policy changes, tending to raise payments, offset part of the decreases resulting from the increase in old-age and survivors insurance benefits.

Where payments continued to be

Chart 1.—Old-age and survivors insurance benefits and public assistance payments to persons receiving both types of payment, before and after increase in insurance benefits



<sup>1</sup> Adapted from chart in the *Statistical Journal* of the Kentucky Department of Economic Security, November 1950.

based on a percentage of the budget deficit (requirements minus income) the reduction in assistance represented only this percentage of the increase in old-age and survivors insurance benefit, even though the entire increase was considered. Thus if a recipient's expenses were \$50 and his only income the minimum old-age and survivors insurance benefit of \$10, his former assistance payment should have been \$40. If the State was paying only 50 percent of the budget deficit, his payment was actually only \$20. Under the amendments his benefit was raised to \$25, leaving a budget deficit of \$25, half of which (\$12.50) is paid by the assistance agency. Therefore, although the increase in the insurance benefit was \$15, the decrease in assistance was only \$7.50. This anomaly explains the above-average disparity between the amounts of the benefit increases and the reductions in assistance payments in some of the States with low fiscal capacity.

More numerous and more drastic percentage reductions in payments for aid to dependent children than in old-age assistance were among the reasons for the greater disparity in aid to dependent children than in old-age assistance between the total increase in insurance benefits and the total decrease in assistance for all States.

### *No Change in Payments*

No decrease in assistance payments followed the increase in old-age and survivors insurance benefits in some cases because the recipients' unmet

need had been as large as the increase in benefit. These were usually cases in which State maximums had prevented larger payments. Although the proportion of recipients whose assistance payments were not reduced was small for all States combined—6 percent for old-age assistance and about 11 percent for aid to dependent children—these percentages were much higher in States that had been making high proportions of all payments at the State maximums. Such States included a few wealthy States with unusually high standards and maximums as well as some where both are low. High proportions of payments that were not reduced was another reason for the greater disparity in some States than in others between the increase in insurance and the decrease in assistance.

### *Total Savings in Assistance*

The total reduction in assistance payments because of the increase in old-age and survivors insurance benefits was approximately \$4 million a month for old-age assistance and was about \$800,000 for aid to dependent children. These totals represent 92 percent of the amount of the benefit increases for aged recipients and 83 percent for aid to dependent children families.

### *Gain to Recipients*

The advantage to the beneficiary-recipients that resulted from the increase in their old-age and survivors insurance benefits in the month that the assistance agency took initial action is shown by the difference be-

tween the increase in monthly benefits and the decrease in assistance payments.

In Pennsylvania, for example, the sum of the old-age and survivors insurance benefit plus the old-age assistance payment was \$45.60 after the change (\$34.58 from insurance; \$11.02 from assistance) as compared with \$45.01 (\$18.55 plus \$26.46) before the change (chart 1). In Kentucky, a State that based payments on only 69 percent of the budget deficit, the average for insurance plus assistance increased from \$29.64 (\$15.15 plus \$14.49) to \$35.00 (\$28.82 plus \$6.18). For families on the aid to dependent children rolls the combined average in Pennsylvania increased from \$100.46 to \$102.22 and in Kentucky, where payments were 48 percent of the budget deficit, from \$65.84 to \$78.54.<sup>5</sup>

The Pennsylvania assistance agency in October 1950 increased the amounts it allowed for food and shelter, and the Kentucky agency in February 1951 increased its maximum payments.

To the extent that these changes, and similar changes in some other States, were made possible by the savings in assistance funds resulting from the increase in insurance benefits, all recipients have profited from the increases in old-age and survivors insurance benefits.

<sup>5</sup> Data for Pennsylvania from the *Public Assistance Review* (Pennsylvania Department of Public Assistance), December 1950; data for Kentucky from the *Statistical Journal* (Kentucky Department of Economic Security), November 1950.

## *Notes and Brief Reports*

### **Employers, Workers, and Wages, First Quarter, 1951**

The 1950 amendments to the Social Security Act extended coverage, effective January 1, 1951, to certain groups formerly without the protection of old-age and survivors insurance. This extension is reflected in the estimates of the number of employers and workers and the amount of wages in the first quarter of 1951, shown in the accompanying table. The impact of

defense preparations also contributed significantly to the sharp increases noted in this quarter.

The number of workers in covered employment during January-March 1951, not including the newly covered self-employed, is estimated at 47 million, and their taxable wages are estimated at \$31 billion. These totals are 24 percent and 31 percent higher, respectively, than in the corresponding quarter of 1950. Of the 9-million increase in the number of workers

during the quarter, probably about half can be attributed to the expansion in economic activity and the other half to extension of coverage. It is estimated that an additional 4.5 million urban self-employed, from whom no returns have as yet been received under the provisions of the new law, had taxable earnings under the program during the quarter.

Average taxable wages, estimated at \$660 in January-March 1951, were 6.3 percent higher than in January-March 1950. This increase is smaller than it would have been if coverage had not been extended because the