

# Budget for an Elderly Couple: Interim Revision by the Bureau of Labor Statistics

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*Budgets at a "modest but adequate" level were issued in 1948 for a city worker's family by the Bureau of Labor Statistics and for a retired elderly couple by the Social Security Administration. Recognition that these budgets no longer characterized current consumer patterns caused the Bureau of Labor Statistics to discontinue regular pricing almost a decade ago. A revision to bring them more nearly in line with post-World War II standards has just been completed by the Bureau of Labor Statistics. The lists of goods and services, priced in autumn 1959, appears in the Monthly Labor Review for August 1960 for the city worker and in the November 1960 issue for the elderly couple. The present article reproduces the summary cost figures and takes up some of the limitations with respect to the uses of the elderly couple's budget, in which the Social Security Administration has a special interest.*

STANDARD BUDGETS have long been an accepted research tool in a variety of situations. Increasingly, in recent years, they have been sought as a reference point, both as a measure of need and an assessment of relative welfare, for wage-earner and other self-supporting families, as well as for special age groups and dependent families. The supply of current cost estimates reflecting accepted consumption standards at prevailing price levels for specific types of families in a given community has fallen 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 regularly scheduled repricings and revision is a task far beyond the resources of most agencies, public or private.

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## ORIGIN OF THE BUDGET

It was in this context that the City Worker's Family Budget and the Budget for an Elderly Couple (issued in 1948 by the Bureau of Labor Statistics and the Social Security Administration, respectively) were hailed as filling a major gap in current social science research. By stressing objectivity of standards and, where generally accepted standards were not available, deriving them from actual practices of families instead of relying only on the pooled judgment of experts, the budgets set a new landmark in family economics. The procedures also made it possible to describe a single standard for urban families throughout the country, although the cost—as the sum total of outlays for the specified goods and services—would vary from city to city with prevailing price levels.

The budget for the retired elderly couple, originally developed by the Social Security Administration, is of particular interest to the readers of the BULLETIN. It may be helpful to repeat here an early statement concerning this budget:

Social security programs represent undertakings to assure so far as possible "freedom from want." In 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 1945 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 com-

munity 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 over-all 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.<sup>1</sup>

The Technical Advisory Committee to the Bureau of Labor Statistics 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."<sup>2</sup>

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, and the regular "pricing" or estimation of budget costs by the Bureau of Labor Statistics was discontinued.

Accordingly, the Bureau of Labor Statistics 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 some later information, regional food plans (based on 1955 consumption data) that were developed by the Department of Agriculture, and extensive data available from a number of sources on family utilization of medical care services, the Bureau of Labor Statistics was able to derive an interim revision. The final revision awaits the consumer expenditures survey planned for 1961-62, which will make possible a comprehensive re-evaluation of the basic concepts and procedures and their translation into the quantities of goods and services that represent goals of families today and the priorities they attach to them.

## APPLICATIONS OF THE BUDGET

The summary cost figures for the revised budget for an elderly couple, determined by the Bureau of Labor Statistics as of autumn 1959 for 20 large cities and their suburbs, have been reproduced here (table 1). The corresponding costs for an employed worker's family of four persons are included for comparison (table 2). Before these figures are discussed, some of the restrictions on their application and interpretation should be considered.

### The Budget Family

First and most vital is the question of whose circumstances the budget can be taken to represent. Although adjustments and adaptations can be made to other family situations, it is obvious that the farther removed from the original concept, the more tenuous the extrapolation. The standard was devised for a retired couple: only half of all persons aged 65 and over are currently married and living with a spouse, and many of them are not retired. The budget couple lives in a large city or its suburbs: currently only 64 percent of all aged persons live in a community classified as urban, and only three-fourths of these are in a standard metropolitan area that includes at least one city of 50,000 inhabitants.

The most limiting factor may be that the standard applies to a couple renting a small apartment or dwelling: most elderly couples own their own homes, usually mortgage-free. According to the

<sup>1</sup> Social Security Administration, Bureau of Research and Statistics, *A Budget for an Elderly Couple*, Bureau Memorandum No. 67, 1948.

<sup>2</sup> *Monthly Labor Review*, February 1948.

Federal Reserve Board's 1959 Survey of Consumer Finances, 2 out of 3 nonfarm families with an aged head owned their home, with 83 percent of the homes owned mortgage-free.

A 1957 study of aged beneficiaries of old-age and survivors insurance—more of whom are married and living with a spouse than in the aged population at large—found 3 out of 4 of the beneficiary couples living in a city. Only one-fourth of these city dwellers were tenants, however, and not all of them kept house by themselves. To put it another way, the living arrangements for which the budget costs were designed as a measuring rod were characteristic of only a small minority, as shown by the following figures for the couples receiving benefits and living in cities.

[Percent]

Elderly couple and living arrangements	All cities	100,000 or more	Under 100,000
Total.....	100	54	46
Budget-defined:			
Renters, living alone.....	22	15	7
Other:			
Renters, not living alone.....	4	3	1
Owners.....	66	32	34
Other <sup>1</sup> .....	8	4	4

<sup>1</sup> Couples living in the home of relatives, in a furnished room, or receiving housing free.

### Budgets for Homeowners

Granted that the budget concept is limited in scope, how can the cost estimates be amended to give workable approximations to the more typical situation of the aged person? Of the difficulties mentioned above, the one relating to the ownership of the dwelling is perhaps most easily resolved. The budget costs can be used with the housing component omitted, or allowance can be made for the lower out-of-pocket costs incurred by a homeowner if he owns his home free and clear. Analysis of data from the 1957 survey for beneficiary couples living alone in owned, mortgage-free homes in urban areas shows that their outlays for taxes, maintenance, heat, light, and cooking fuel averaged about 40 percent less than the amount renters in a community of the same size had to pay for rent and heat, light, and cooking fuel. The Bureau of Labor Statistics estimated the saving at about one-third.

Using any figure of this magnitude to adjust the published budget costs for housing should

yield reasonably acceptable results, particularly since the Bureau of Labor Statistics points out that 69 percent of the elderly couples whose expenditures (in 1950) were included in the analysis for the budget were actually homeowners. Thus, to the extent that the "savings" in housing costs made possible by a mortgage-free home are allotted by families to increased expenditures for other goods and services, this transfer is already in the main reflected in the budget as it is now constituted.

### Budgets for Others

The difficulties of translating the budget costs as priced for 20 cities to estimates for other cities, for rural areas, or for that matter to a summary figure for the total United States are not so readily surmounted. It should be mentioned here that 19<sup>3</sup> of the 20 cities and suburbs for which budget cost estimates are presently available have a population of more than half a million, although the budget quantities of goods and services are representative of families in cities with population as low as 50,000.

By far the most important adjustment, however—because it will be so often required—and yet that for which there is least precedent is the breaking down of the budget for two into a budget for one. For some categories of the budget determined on an individual basis—such as clothing, recreation, or medical care—there is already a built-in divider. For food it is possible to use the adjustments suggested by the Department of Agriculture for its food plan, which forms the basis for the food component of the budget.

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 op-

<sup>3</sup> Population of Scranton and suburbs is about 237,000.

eration 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 medical care, may have to be increased on the premise that a person living by himself will be

TABLE 1.—Annual costs of the elderly couple's <sup>1</sup> budget, 20 large cities and suburbs, autumn 1959

Item	Atlanta	Baltimore	Boston	Chicago	Cincinnati	Cleveland	Detroit	Houston	Kansas City	Los Angeles
Food and beverages <sup>2</sup> .....	\$768	\$781	\$953	\$889	\$879	\$860	\$899	\$758	\$841	\$894
Food at home <sup>3</sup> .....	714	734	900	838	824	806	847	711	797	840
Low-cost plan.....	600	610	779	743	728	716	750	595	706	731
Moderate-cost plan.....	827	857	1,021	933	921	897	944	827	889	949
Food away from home.....	29	28	32	33	36	34	32	28	27	32
Housing.....	1,010	1,067	1,298	1,331	1,062	1,265	1,122	928	1,183	1,105
Rent, heat, utilities <sup>4</sup> .....	778	802	1,029	1,067	821	1,015	858	694	942	862
Housefurnishings.....	98	103	97	100	98	99	106	99	101	106
Household operation and communications.....	134	162	172	164	143	151	158	135	140	137
Clothing.....	208	216	213	232	215	233	226	197	221	213
Husband.....	80	79	83	84	82	87	84	76	82	79
Wife.....	103	109	100	114	102	113	108	92	105	101
Clothing materials and services.....	25	28	30	34	31	33	34	29	33	33
Medical care.....	241	247	316	317	240	327	298	260	250	366
Transportation <sup>5</sup> .....	153	180	144	195	168	170	170	161	175	166
Automobile owners.....	516	584	656	653	523	606	536	550	576	579
Nonowners of automobiles.....	51	66	61	66	67	59	66	62	62	60
Other goods and services.....	340	349	380	402	361	389	381	337	364	367
Reading and recreation.....	101	102	111	124	112	122	119	95	105	105
Personal care.....	75	75	73	83	75	78	79	75	81	83
Tobacco.....	35	37	38	35	35	35	36	41	34	33
Gifts, contributions, etc.....	129	135	158	160	139	154	147	126	144	148
Total cost of goods and services.....	\$2,720	\$2,840	\$3,304	\$3,366	\$2,925	\$3,244	\$3,096	\$2,641	\$3,034	\$3,111
Estimated annual cost comparable in content with original budget <sup>6</sup> .....	\$2,467	\$2,571	\$3,067	\$3,112	\$2,698	\$3,011	\$2,865	\$2,390	\$2,802	\$2,851
	Minneapolis	New York	Philadelphia	Pittsburgh	Portland, Oregon	St. Louis	San Francisco	Scranton	Seattle	Washington, D. C.
Food and beverages <sup>2</sup> .....	\$846	\$945	\$939	\$956	\$887	\$870	\$920	\$900	\$938	\$864
Food at home <sup>3</sup> .....	795	892	889	899	830	824	866	848	875	816
Low-cost plan.....	701	776	769	780	724	729	755	735	763	685
Moderate-cost plan.....	889	1,009	1,008	1,018	936	920	976	961	988	948
Food away from home.....	31	32	30	39	36	28	32	33	40	29
Housing.....	1,216	1,124	1,003	1,116	1,074	1,210	1,172	838	1,196	1,163
Rent, heat, utilities <sup>4</sup> .....	962	849	754	863	817	970	919	595	921	921
Housefurnishings.....	97	99	98	104	102	96	107	105	109	95
Household operation and communications.....	157	176	151	149	159	144	146	138	166	147
Clothing.....	231	215	213	221	222	213	224	211	222	216
Husband.....	85	83	79	81	82	77	82	85	85	80
Wife.....	111	101	100	107	105	102	106	100	103	106
Clothing materials and services.....	35	31	34	33	35	34	36	26	34	30
Medical care.....	319	262	260	264	326	273	346	222	336	271
Transportation <sup>5</sup> .....	162	134	133	180	181	183	174	162	169	176
Automobile owners.....	534	652	589	571	597	595	627	543	574	583
Nonowners of automobiles.....	57	50	58	69	63	66	46	55	55	61
Other goods and services.....	361	364	361	365	355	350	387	348	391	357
Reading and recreation.....	100	111	107	105	103	93	114	115	107	102
Personal care.....	75	69	79	78	78	76	86	70	91	78
Tobacco.....	37	39	37	34	29	34	34	35	38	32
Gifts, contributions, etc.....	149	145	138	148	145	147	153	128	155	145
Total cost of goods and services.....	\$3,135	\$3,044	\$2,909	\$3,102	\$3,049	\$3,099	\$3,223	\$2,681	\$3,252	\$3,047
Estimated annual cost comparable in content with original budget <sup>6</sup> .....	\$2,906	\$2,812	\$2,684	\$2,842	\$2,792	\$2,858	\$2,949	\$2,429	\$2,990	\$2,770

<sup>1</sup> Retired husband and wife, aged 65 or over.

<sup>2</sup> Includes small allowances for guest meals and for alcoholic beverages.

<sup>3</sup> Cost used in calculating total cost of the budget is average of low- and moderate-cost food plans, including suggested 10-percent additional allowance for small families.

<sup>4</sup> Average contract rent for tenant-occupied dwellings that conform to the housing standards specified for the budget, plus the cost of required amounts of heating fuel, gas, electricity, water, and specified equipment.

<sup>5</sup> Weighted average cost for automobile owners and nonowners, using the following proportion of families: for New York, Philadelphia, and Boston, 14 percent for automobile owners, 86 percent for nonowners; for the remaining 17 cities, 22 percent and 78 percent, respectively.

<sup>6</sup> Costs based on the low-cost food plan; excludes allowances for automobile ownership and alcoholic beverages.

Source: Department of Labor, *Monthly Labor Review*, November 1960.

TABLE 2.—Annual costs of the city worker's family<sup>1</sup> budget, 20 large cities and suburbs, autumn 1959

Item	Atlanta	Baltimore	Boston	Chicago	Cincinnati	Cleveland	Detroit	Houston	Kansas City	Los Angeles
Food and beverages <sup>2</sup> .....	\$1,514	\$1,525	\$1,857	\$1,751	\$1,734	\$1,695	\$1,761	\$1,486	\$1,631	\$1,747
Food at home.....	1,261	1,294	1,601	1,498	1,463	1,431	1,506	1,256	1,413	1,487
Food away from home.....	253	231	256	253	271	264	255	230	218	260
Housing.....	1,402	1,259	1,478	1,632	1,448	1,440	1,300	1,192	1,370	1,445
Rent, heat, and utilities <sup>3</sup> .....	1,151	1,004	1,240	1,386	1,203	1,191	1,040	941	1,117	1,178
Housefurnishings.....	200	203	189	195	193	199	209	201	203	213
Household operation.....	51	52	49	51	50	50	51	50	50	54
Clothing.....	532	571	549	584	540	598	570	506	560	545
Husband.....	136	133	139	143	135	144	141	131	136	133
Wife.....	158	166	151	168	155	167	161	145	160	156
Boy.....	93	107	96	100	93	105	96	86	99	94
Girl.....	102	118	111	116	103	125	115	95	109	105
Clothing materials and services.....	43	47	52	57	54	57	57	49	56	57
Medical care.....	269	278	322	314	265	349	353	309	299	424
Transportation <sup>4</sup> .....	459	524	417	568	484	511	486	467	525	501
Automobile owners.....	563	638	714	696	584	628	586	569	637	620
Nonowners of automobiles.....	129	163	143	164	168	141	167	144	171	124
Other goods and services.....	664	693	711	758	692	712	731	662	705	663
Reading and recreation.....	207	213	226	239	219	235	232	199	215	214
Personal care.....	130	125	125	148	131	133	138	122	137	138
Tobacco.....	89	93	91	85	85	85	86	98	84	81
Public school expense.....	10	10	10	20	20	15	35	20	35	55
Communications.....	78	102	94	92	76	80	79	80	77	55
Gifts and contributions.....	113	113	124	190	120	123	121	107	118	124
Miscellaneous.....	37	37	41	44	40	41	40	36	39	41
Total cost of goods and services.....	4,840	4,850	5,334	5,607	5,163	5,305	5,201	4,622	5,090	5,325
Other costs <sup>5</sup> .....	258	258	258	258	258	258	258	258	258	294
Personal taxes.....	544	610	725	702	679	636	613	490	616	666
Estimated total cost of budget.....	5,642	5,718	6,317	6,567	6,100	6,199	6,072	5,370	5,964	6,285
	Minneapolis	New York	Philadelphia	Pittsburgh	Portland, Oregon	St. Louis	San Francisco	Scranton	Seattle	Washington, D. C.
Food and beverages <sup>2</sup> .....	\$1,647	\$1,853	\$1,825	\$1,889	\$1,746	\$1,694	\$1,795	\$1,758	\$1,844	\$1,694
Food at home.....	1,400	1,594	1,583	1,603	1,472	1,465	1,533	1,513	1,548	1,447
Food away from home.....	247	259	242	286	274	229	262	245	296	247
Housing.....	1,393	1,260	1,203	1,275	1,306	1,543	1,348	1,127	1,568	1,470
Rent, heat, and utilities <sup>3</sup> .....	1,150	1,013	954	1,012	1,046	1,298	1,079	871	1,293	1,226
Housefurnishings.....	193	197	197	209	209	193	213	208	220	195
Household operation.....	50	50	52	54	51	52	56	48	55	49
Clothing.....	580	551	546	587	565	542	570	558	507	554
Husband.....	139	137	131	135	139	129	137	140	144	137
Wife.....	163	154	152	162	160	156	164	152	160	160
Boy.....	98	94	92	95	100	92	97	100	97	97
Girl.....	120	112	113	119	106	107	110	122	107	109
Clothing materials and services.....	60	54	58	56	60	58	62	44	59	51
Medical care.....	382	282	316	321	321	297	397	250	365	304
Transportation <sup>4</sup> .....	484	404	384	523	553	531	537	478	517	517
Automobile owners.....	591	715	650	634	675	646	672	588	636	634
Nonowners of automobiles.....	145	117	139	174	165	168	110	132	142	148
Other goods and services.....	679	698	696	689	691	664	694	663	741	670
Reading and recreation.....	207	225	221	216	212	194	225	227	219	212
Personal care.....	130	118	133	135	136	131	150	122	144	127
Tobacco.....	87	92	88	88	68	85	85	87	94	75
Public school expense.....	20	15	20	10	35	10	10	10	20	10
Communications.....	75	92	80	77	80	80	59	68	90	85
Gifts and contributions.....	120	117	116	122	120	123	124	112	130	121
Miscellaneous.....	40	39	38	41	40	41	41	37	44	40
Total cost of goods and services.....	5,165	5,048	4,970	5,264	5,182	5,271	5,341	4,834	5,602	5,199
Other costs <sup>5</sup> .....	258	273	258	258	258	258	294	258	258	258
Personal taxes.....	758	649	670	677	782	737	669	601	702	690
Estimated total cost of budget.....	6,181	5,970	5,898	6,199	6,222	6,266	6,304	5,693	6,562	6,147

<sup>1</sup> Employed husband, aged 38, a wife not employed outside the home, a girl aged 8 and boy aged 13.

<sup>2</sup> Includes alcoholic beverages.

<sup>3</sup> Average contract rent for tenant-occupied dwellings that conform to the housing standards specified for the budget, plus the cost of required amounts of heating fuel, gas, electricity, water, and specified equipment.

<sup>4</sup> Weighted average costs for automobile owners and nonowners, using the

following proportion of families: for New York, Philadelphia, and Boston, 48 percent for automobile owners, 52 percent for nonowners; for the remaining 17 cities, 76 percent and 24 percent, respectively.

<sup>5</sup> Includes allowances for life insurance, occupational expenses, old-age survivors, and disability insurance, and employee contributions to temporary disability insurance as required by State law in California and New York.

Source: Department of Labor, *Monthly Labor Review*, August 1960.

less able to manage when ill than if there is a spouse to help take care of him.

Pending further research, the relationship of the cost of living for a single individual to that for a couple must remain something everyone talks about but about which little is known. Under the old-age, survivors, and disability insurance provisions, the benefits paid to a retired worker and his wife (both aged 65 or over) is one and one-half times the benefit to the worker himself. Should the worker die, his widow receives only half 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.

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.<sup>4</sup> According to this scale the income required for an elderly person living alone would be 59 percent of that required for an elderly couple living at the same standard. This factor represents an averaging of income-expenditure patterns for families throughout the entire range of income.

Further study will most likely show 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.<sup>5</sup>

This consideration has particular relevance whenever the budget level of living is scaled down. In the case of food, for example, the Department of Agriculture has recently<sup>6</sup> halved the small-family adjustments in per person food costs for use with their food plans—that is, for a 2-person family only 10 percent more is to be added to the individual food costs shown in the plan instead of the 20 percent allowed heretofore,

<sup>4</sup> See Technical Note, *Monthly Labor Review*, November 1960, pages 1197-1200.

<sup>5</sup> 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.

<sup>6</sup> Janet Murray, "Per Person Food Cost Differential in Large and Small Families," *Family Economics Review*, September 1960.

and for a 1-person unit the addition is now "something more than 15 percent" instead of 35 percent. Thus, reducing the food allowance for an individual or couple below that called for in the low-cost plan is more likely than formerly to imperil adequacy.

The discussion here has centered on the use of the budget to indicate need in terms of the cost of maintaining a specific level of living. The parallel question of its use as a measure of adequacy of available income will be taken up after consideration of budget costs as currently priced. It should already be apparent that, apart from other considerations, the fact that the budget purports to describe a highly selected group will make it difficult to find the relevant statistics on income for comparison.

## THE BUDGET COSTS

When last priced in October 1950, the original budget for a couple with both members aged 65 or over, retired, and keeping house by themselves in a rented apartment in a large city ranged from \$1,600 a year in New Orleans to \$1,910 in Milwaukee, with New York about midway between, at \$1,780. Nine years later, in the autumn of 1959, the estimated annual cost of the goods and services comparable in content with the original budget ranged from \$2,390 in Houston to \$3,110 in Chicago. The increase in budget costs for the 9 years varied from city to city, from a low of 29 percent in Houston to a high of 71 percent in Chicago (table 3).<sup>7</sup> The average increase in prices throughout the period, as measured by the "all items" consumer price index for the United States, was about 20 percent.

The higher cost estimate for the current version of the budget includes more than a simple response to changing prices. Some increase came about, no doubt, from the general rise in real income during recent years and the corresponding

<sup>7</sup> For comparison with the current city worker's budget, the Bureau of Labor Statistics has also computed costs for the elderly couple at a somewhat higher standard than before, including an automobile for an estimated 22 percent of the families and using a more expensive list of food items. These "upgradings" increased the estimated cost for the elderly couple by 8-10 percent, bringing the total to about 60 percent of the corresponding estimate for the goods and services required by a worker's family in the same city.

shifts in consumer values and ideas of what is necessary. Perhaps even more important may be an indication of the need for re-examination of methods and procedures used in deriving the budget to see that they provide as efficient a means of quantifying a "modest but adequate" standard today as they did originally.

It may be of interest that an updated budget for an elderly couple developed in 1954, on the same basis as the original and priced annually by the New York City Budget Standard Service, was estimated to cost \$2,380 in October 1959, about 20 percent less than the current BLS estimate for New York.<sup>8</sup> The New Jersey Department of Labor and Industry in preparation for the forthcoming White House Conference on Aging estimated at \$2,430 the cost of a "moderate" budget for a retired elderly couple living in a rented apartment or an owned home with "small mortgage payments." Budgets used as reference points by voluntary agencies and welfare departments elsewhere vary even more widely.

Obviously, opinions differ as to how much money is required to maintain a retired couple at a "modest but adequate" standard. How do these differences come about?

## THE BUDGET STANDARD

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

<sup>8</sup>The Budget Standard Service developed its budget from expenditure data for the New York City area. The 1959 pricing does not incorporate the regional adaptation of the basic food plan (1959) or the new adjustments in food costs suggested for small families (1960). The fact that the Northeast regional pattern applicable to New York is higher in cost than the U. S. average is likely to be offset by the lower added margin now recommended for small families. The New York budget currently makes no differentiation in the medical care standard on the basis of age.

TABLE 3.—Budget for an elderly couple: Increase in annual cost of comparable budget, 20 large cities and suburbs, 1950-59

City	Estimated cost of all goods and services for a year		
	October 1950	Autumn 1959	Percentage increase
Atlanta.....	\$1,748	\$2,467	41
Baltimore.....	1,779	2,571	45
Boston.....	1,880	3,067	63
Chicago.....	1,818	3,112	71
Cincinnati.....	1,650	2,698	64
Cleveland.....	1,805	3,011	67
Detroit.....	1,818	2,865	58
Houston.....	1,855	2,390	29
Kansas City.....	1,687	2,802	66
Los Angeles.....	1,866	2,851	53
Minneapolis.....	1,765	2,906	65
New York.....	1,782	2,812	58
Philadelphia.....	1,783	2,684	51
Pittsburgh.....	1,767	2,842	61
Portland, Oregon.....	1,866	2,792	50
St. Louis.....	1,711	2,858	67
San Francisco.....	1,833	2,949	61
Scranton.....	1,614	2,429	50
Seattle.....	1,852	2,990	61
Washington, D. C.....	1,863	2,770	49

for his wife and himself when he no longer is earning his living. The present city worker's budget makes no allowance for saving for the children's education beyond what is provided free, nor, except for the old-age, survivors, and disability insurance contributions from earnings required by law, does it allow for planning for retirement income even to the extent of buying a home.

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 deleting occupational expenses and those incurred primarily 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 goals—may consumers' expenditures or experts' judgments be presumed to express?

Finally, with public income-maintenance programs for the aged now an accepted feature of the American economy, the budget standard in actuality if not in theory becomes inextricably linked with program operations of public and private agencies—be it to determine individual eligibility or need under a particular provision or to evaluate overall adequacy of a type of payment. It provides, for example, a point of departure for appraising the adequacy of the standards set by State public assistance agencies and for interpretation of these standards by the community.

### **Translating the Standard Into Quantities**

With few exceptions the basic procedure for deriving the list of goods and services to be priced for each family-living category was the same as that developed for the original budget. But just as the standard of adequacy changes with time, the applicability of a particular means of translating it into specific quantities of goods and services may be expected to vary also.

The original budget for an elderly couple was developed by the Social Security Administration. The procedures used were those developed by the Bureau of Labor Statistics for its city worker's family budget, modified only to reflect the difference in family type or availability of relevant data. In the main, the basic data available related to the period immediately before World War II or earlier. The present revision was undertaken by the Bureau of Labor Statistics to develop a new list of goods and services that, like the budget for the worker's family of four, more nearly reflects a "modest but adequate" level

of living in terms of standards prevailing in the 1950's.

*Food.*—The budget components for food and housing were derived in the same way as before—by reference to accepted standards. For food, this procedure meant reliance on the food plans developed by the Institute of Home Economics of the Department of Agriculture. These plans, as revised on the basis of household food consumption data collected in the spring of 1955, now take account of regional preference patterns in foods, as well as the changes in eating habits that higher incomes and improved food processing and distribution have made possible. They still provide for quantities and types of food that will provide a diet satisfying nutritional goals and yet be in line with American eating habits.

The low-cost plan, which uses the food choices of families in the lowest third of the income distribution as its prototype, was selected for the original elderly couples' budget, with appropriate additions to allow for serving some meals to guests and an occasional meal away from home.

The food component of the original city worker's budget was set at a higher standard than the low-cost plan used for the elderly couple. The Bureau of Labor Statistics in its interim revision has included an alternative food component to match that for the city worker. Because this alternative is an average of the low- and moderate-cost food plans, it represents food habits of the middle third as well as the lowest third of all families ranked by income. Although in the strict procedural sense an identical standard is thus applied to the two family groups, there may be a conceptual question—whether a "modest but adequate" standard can involve the same level of spending and choice for the elderly couple as for the worker's family. Economizing on everyday food bills except for company meals is perhaps one of the easier adjustments to the reduced income on which retired couples must get along, compared with changing established commitments.

*Other components.*—For medical care a standard was arbitrarily framed, using as a guide data on the utilization of services by persons aged 65 and over from the National Health Survey and the Bureau of Old-Age and Survivors Insurance survey of aged beneficiaries. Housing was defined as a rented dwelling conforming to the

standards of the Public Housing Administration and the American Public Health Association. Except for these two items, the Bureau of Labor Statistics relied heavily in determining budget quantities of goods and services on the quantity-income elasticities of expenditures—the method developed for the original budget. The *Monthly Labor Review* for November 1960 describes this technique as—

objective in that it uses the consumers' collective judgment as to what is adequate, for such items as clothing, housefurnishings, and recreation.

In this technique, the quantities of various items purchased at successive income levels are examined to determine the income level at which the rate of increase in quantities purchased begins to decline in relation to the rate of change in income, i.e., the point of maximum elasticity. The average numbers and kinds of items purchased at these income levels are the quantities and qualities specified for the budget. This point 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 less essential to them.

*Limitations.*—It was anticipated that the elasticity-method could in time have some limitations, among which the following have particular relevance to the present situation:

(a) That the goal of "enough" as defined by the quantity-elasticity method might eventually for other categories, as was already true for food, be nearly universally achieved even at the lowest incomes. Consequently, some other means of determining consumers' ideas of adequacy—what might be termed satisfaction of a higher order—would have to be found.

(b) That, contrary to the one-thing-at-a-time philosophy of the quantity-elasticity method, there was and there would undoubtedly occur in greater degree under improved economic conditions a competition for the consumer's dollar among the categories as well as within a category.<sup>9</sup>

The first of these contingencies has already happened, according to the Bureau of Labor Statistics:

<sup>9</sup> This development would mean that it would no longer be correct to try to define adequacy independently for each category, since the degree of satisfaction with a given level of consumption in one category might depend partly on the level in another. At the very least it would mean that the classification of consumer expenditures into categories for such analysis would have to be examined to see if it conformed to the areas of competition families considered in allocating their funds.

In the analysis of the 1950 consumer expenditure data, a characteristic pattern of changes in the quantities of goods and services within a group of related items in relation to changes in income was found for most goods and services. Quantities at first increased relatively more rapidly than income and then increased at a relatively slower rate than income. This characteristic pattern was not found, however, for underwear and nightwear, men's footwear, alcohol, and tobacco, where the maximum elasticity was between the initial income classes. Since the original budget total for goods and services when priced in 1950 was also in the \$1,000 to \$2,000 range, the revised quantities for these groups of commodities were determined at that income class. Although the use of this point of maximum elasticity is not believed to represent a serious deviation from the concept of the original budget, it does demonstrate the need for a thorough review and reappraisal of the concept and techniques for any future revision.<sup>10</sup>

Inasmuch as clothing, personal care, tobacco, alcoholic beverages, housefurnishings, recreation, and transportation are the only areas in which the elasticity-method was used to derive the standard, its failure here indicates the need for rethinking if the judgment of the social worker and the "expert" is not merely to be replaced by that of the economist.

The second difficulty, that of breaking down the barriers between categories of family living as arbitrarily defined in expenditure studies, has also been recognized. In food, for example, as incomes have increased, families have not only shifted consumption among specific items but have leaned more and more to added services—in the form of convenient foods with a greater degree of processing or meals taken outside the home. The operation of the family car, or the purchase of a second one, competes not only with other forms of transportation in the traditional classifications of family studies but also with other items, such as a television set, an air conditioner, or even a part-time maid.

Higher incomes and a variety of products have given all consumers a possibility of choice far beyond that envisaged by even the wealthy a generation ago. Thus, taking up each category in turn to determine how much consumers strive to obtain, "other things being equal," ignores the fact that—after an initial level of adequacy—additional satisfaction may be achieved as well by a transfer to a different category as by more of the same. Taking the categories one at a time includes these alternatives independently, rather

<sup>10</sup> *Monthly Labor Review*, November 1960.

than on an either-or basis. Thus, the resulting list of budget goods and services may *in toto* represent more than the "modest but adequate" overall standard in fact does encompass, although probably to a greater degree for the worker's family than for the elderly couple.

### High Cost Components

For the elderly couple, the medical component of the budget represents a marked increase in cost compared with the original. The standard currently applied, for example, allows for a total of 17 physicians' visits for the couple, including provision for both members to see the doctor at least once a year, compared with only 12 visits in the original budget.<sup>11</sup> A large number of dental visits is also included. The new standards, derived from more extensive data than were available formerly and including hospitalization insurance for almost half the couples, reflect the demand for better medical care for all segments of the population and the recognition that the aged in particular have been a disadvantaged group.

The higher standard and the rise in prices for medical services—much more marked than for other consumer items—have combined to increase the share of the budget going for medical care from the original 6 percent to about 10 percent. Despite this increase the standard today, as before, applies only to those retired couples who are in reasonably good health and who experience no more than average illness. Any major or prolonged illness or disabling condition and all terminal illnesses, often expensive, fall outside the scope of this budget.

As pointed out earlier, another high-cost component of the budget is the rental housing called for in the standard. For the majority of elderly couples, ownership of their homes, mortgage-free, permits some savings in current out-of-pocket costs. In addition, as the Bureau of Labor Statistics points out, in some cities dwellings that meet the standards are frequently located in modern apartment structures, for which rental rates

<sup>11</sup> The medical service utilization data which were used as a benchmark for the current standard were first adjusted to include provision for every elderly person to see the doctor at least once a year, although some persons had not done so.

are higher than for the older units that the elderly couples who do rent probably occupy. The possible upward bias in housing costs is particularly significant in any budget application, because couples who rent rather than own usually have lower incomes.

### THE BUDGET AS A MEASURE OF INCOME ADEQUACY

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 indicated, few families would be expected to allocate available funds precisely as the budget indicates. Can one estimate, then, how many families of the budget type would have the amount of money required to purchase its goods and services? Since there are presently no income data available for large city families of precisely the type defined for the budget, most estimates are little better than crude approximations.<sup>12</sup>

In all probability, the budget costs will appear to be relatively high compared with the incomes of the elderly. Income data from the Bureau of the Census are available only for families with aged head and not for aged couples living alone. (Currently, such families include an average of 2.6 persons.) On the basis, however, of a special Census income tabulation for 1956 for both types of families, one might estimate the median income of all elderly couples living alone in urban areas at roughly \$2,600 in 1959. Thus the cost of maintaining an elderly couple, in reasonably good health for their age and living alone in a rented

<sup>12</sup> See Lenore A. Epstein, "Some Problems in Measuring the Economic Status of the Aged in the United States," paper for the Fifth Congress of the International Association of Gerontology, August 1960; see also National Advisory Committee for the White House Conference on Aging, "Background Paper on Income Maintenance," June 1960.

dwelling in a large city—ranging from \$2,390 in Houston to \$3,112 in Chicago in autumn 1959—may have been beyond the reach of more than half of them. Lowering the budget to a range of \$2,100–\$2,700 to allow for the estimated amount of housing costs that many of the couples would save as homeowners would reduce the number for whom the budget standard would be more than income could provide, but this number would still be considerable.

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. Those who have resources in the form of noncash income such as food are usually limited to homeowners in rural areas, and in any case the evidence is that savings on the grocery bill, except for those on farms, are likely to be small. Few couples have noncash income from other sources except for medical care at free or reduced rates, and the very fact of such subsidization is itself evidence that income is below adequate levels or that medical needs are beyond the budget scope.

## OUR CHANGING STANDARDS OF LIVING

The years elapsed between the original budget and the current revision have been years of great economic change. We have experienced a marked

rise in income, shifts in population from farm to city, alterations in production and distribution patterns, and an increased degree of mechanization in factories and homes. Pacing these trends has been a rapid spread of social security programs, giving freedom from fear of total loss of support for the worker's family because of his incapacity or death, and the promise of financial independence in the worker's old age.

All of these factors combined have resulted for the worker in what a recent BLS publication called “the new bent of mind.” Real income has risen, and perhaps even more dramatic has been the upping of both national and individual goals. Speaking of the change in what workers have come to expect in recent years, the Bureau of Labor Statistics quoted from *America's Needs and Resources* as follows: “When an entire population struggles for subsistence from one day to the next, its problems of economic philosophy are relatively few. Its choices and decisions are limited. Once this point is passed, however, each member of the population is faced with a new question; not ‘Can I live?’ but ‘What kind of life do I wish to lead?’”<sup>13</sup>

Thus, in considering the new version of the elderly couple's budget as a yardstick of income adequacy, the implied concepts should be re-examined. Is our standard as to what is a modest level of living changing more rapidly than we realize, and is this a hopeful factor for the future?

<sup>13</sup> *How American Buying Habits Change*, Department of Labor, 1959, page 7. See also J. Frederick Dewhurst and Associates, *America's Needs and Resources*, The Twentieth Century Fund, 1955.

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## Recent Publications\*

### SOCIAL SECURITY ADMINISTRATION

*Basic Readings in Social Security*, compiled by the Departmental Library. (Publication No. 28—25th anniversary issue.) Washington: U. S. Govt. Print. Off., 1960. 221 pp. \$1.

A bibliography of significant books, pamphlets, and

\* Prepared in the Library, Department of Health, Education, and Welfare. Orders for items listed should be directed to publishers and booksellers. Federal publications for which prices are listed should be ordered from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.

articles on the Social Security Act, the programs administered under the Act, and related subjects.

BUREAU OF FEDERAL CREDIT UNIONS. *Federal Credit Unions, 1959 Report of Operations: 25 Years of Better Living*. Washington: U. S. Govt. Print. Off., 1960. 59 pp.

Report of operations for 1959, with an evaluation of the program over a 25-year period. Limited free distribution; apply to the Bureau of Federal Credit Unions, Social Security Administration, Washington 25, D. C.

BUREAU OF OLD-AGE AND SURVIVORS INSURANCE. *Social Security Handbook on Old-Age, Survivors, and Disability Insurance*. Washington: U. S. Govt. Print. Off., 1960. 261 pp. 75 cents.

Explains in detail the provisions and operation of the program and tells who is entitled to benefits and what should be done to protect and establish benefit rights.