

Survey
No. 274

Report
No. 43

THE ROLE OF UNEMPLOYMENT COMPENSATION IN
MAINTAINING FAMILY INCOME AND EXPENDITURE
IN AN AREA OF CRITICAL UNEMPLOYMENT

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PART I: SUMMARY

Unemployment insurance in this country was an outgrowth of the depression of the '30's. Wisconsin began to pay benefits in 1936, and by July 1939 all of the states had some form of unemployment compensation in operation. During the war and the immediate post-war period of reconversion to peace-time economy, most unemployment was short-lived. However, by 1949 several areas in the country were suffering from local business recessions and in some of these localities the unemployment was so prolonged that many insured workers exhausted their claims to unemployment compensation. This situation provided an opportunity to evaluate the effectiveness of the unemployment compensation program in a recession period. The present study of one such area is a first step in that direction.

The major portion of the study is an analysis of family income and expenditure among families of unemployment compensation claimants in a rural county of Illinois which has a number of manufacturing plants in its county seat. The data were collected by a household survey in late February and early March 1950, when the largest plant had been closed for more than six months. More than five hundred families participated in the survey. A supplementary portion of the study (Section I) describes the economic situation in the area as revealed by the trends in employment, unemployment compensation benefit payments and gross retail sales.

Employment Status for the Survey Week¹

Forty-three per cent of the main earners of families included in the study were unemployed during the survey week; a comparable number (44%) had full-time work; and 13% had some part-time work.

¹For a description of the sample and definitions of terms, see Part II.

Half the families had no secondary earner to fall back on when the main earner was out of work. Furthermore, secondary earners were unemployed to almost the same extent (39%) as the main earners (43%), and less likely to have full-time work if they had any work at all. This meant that approximately half the families (48%) had no full-time earner, and that approximately a third of the families (31%) had no earned income at all during the survey week.

The employment situation among the 231 families whose main earners were altogether unemployed during the survey week shows that even multiple-earner families can suffer a severe reduction in income in a period of unemployment. Although almost half (47%) of these families had a secondary earner in the labor force, 80% had no full-time earner, and more than two-thirds (68%) of these families whose main earners were unemployed had no earnings at all during the survey week.

Family Income for the Survey Week

The families whose main earners were fully employed had a mean money income for the week of \$65.26. Ninety-four per cent of their income was earned income. The other families had an average money income of only \$27.77, 53% of which was earned, and 39% of which was derived from unemployment compensation benefits. Since at the time of the survey, 31% of the unemployed workers in the sample had exhausted their benefits for the year, unemployment compensation was contributing less to the income of unemployed workers than it had earlier in the benefit year.

One hundred seventy-two families in the sample were drawing some unemployment compensation during the survey week. Thirty-eight per cent of them had no income at all during the survey week except for the \$20 benefit. In 81% of the families drawing some unemployment compensation, the main

earner was unemployed; in 10% he had part-time work. Thus in only 9% of the families receiving unemployment compensation benefits, was the main earner fully employed. Although 52 families included more than one unemployed worker, only 12 families were drawing more than one weekly benefit.

Family Expenditure Per Person for the Survey Week

The families with incomes of less than \$7.50 per person per week had spent 64% of their budgets on food, housing and household operation. This was proportionately more than families with higher per capita incomes were spending on these essentials, despite the fact that in this particular area many of the low income families are rural families with some income in kind, either in the form of home grown food, or "free" housing in the case of home owners.

Saving and Dissaving

Families with the needs, consumption habits, and expectations characteristic of the group of families studied tend to spend more than their income unless they have about \$14.50 per person per week to spend. In practice this means that families rely on their savings or live on credit unless some member is working full-time. Only 56% of the families reported that they had liquid assets of \$50 or more either at the time of the survey or a year before. Almost two-thirds (64%) of those with some assets had used up some or all of their savings during the year. A temporary factor that allowed some families to spend more than their income during the survey week was the fact that about 17% of the families had received refunds, either from G. I. insurance or on their 1949 income tax, during the month preceding the survey.

It is clear that the families benefiting from the unemployment compensation program urgently needed the money. The median per capita income for the families receiving some unemployment compensation during the survey week was \$9.74 as compared with the \$14.50 needed to make ends meet. Had they not

been entitled to some unemployment compensation they would have had only \$1.17 per person for the week.

The 66 families with no income except for the \$20 benefit had actually spent on the average \$27.04 for food, housing and household operation alone, and \$45.56 altogether during the week. Since the unemployment compensation program in Illinois makes no provision for allowances for dependents, the large families had a particularly hard time. It is sometimes claimed that industrial workers in a rural community can get along in hard times without cash benefits, and also that secondary earners do not need them. But the then prevailing maximum benefits of \$20 a week, and even the present maximum benefit of \$25 a week which has been introduced in Illinois since the survey has been completed, are clearly inadequate in the kind of situation described in this study.

Since the local relief office was unable to expand its program to meet the emergency, unemployed workers had no alternative but to leave the area when their savings and credit were exhausted. The local businessmen whose own economic welfare depended on the purchasing power of the workers, were concerned about the outmigration, but powerless to stem the tide. Their confidence that the local plants would reopen has been justified, but, in the meantime, many workers' families had less than a decent minimum of security and local business had suffered as a consequence, although neither the outmigration nor the restriction of business was as great as it would have been without unemployment compensation. The implications of these findings are discussed further in the concluding section of the report.

PART II: DETAILED REPORT

1. THE LOCAL ECONOMY²

The labor market area which includes the county where this survey was made has long been considered a "one industry" area because of the predominance of railroad equipment manufacturing. During the post-war period, until mid-1949, employment in this industry comprised about 35% of the area's manufacturing employment. In descending order of importance other major non-agricultural activities are trade, service, mining, leather products, fabricated metal products, primary metals and apparel. Agricultural employment, chiefly in fruit and dairy farming, engages one of every five workers in the labor force. For a short period, in the early 1940's, newly discovered oil deposits set off extensive well-drilling activity but this has long since subsided and employment in the industry is now at a relatively low level.

The area's industrial pattern was little changed by developments during World War II. No large war plants were erected but minor war contracts were handled by local manufacturers, including one for the manufacture of light and medium tanks. The universal prosperity of the war period, however, resulted in a significant increase in the production of civilian goods in local factories and thus stimulated local employment considerably. Outmigration from the area was also significant as workers left to enter employment in more populous industrial centers. Some cutbacks in employment followed the war but, in general, employment held up well until the serious reductions in railroad equipment manufacturing came in 1949.

Outmigration of workers and commutation to employment in adjacent areas caused a slight decline in the labor force during the twelve months

²This section was prepared by the Research and Statistics Section, Illinois State Employment Service and Division of Unemployment Compensation.

ending March 31, 1950. The immediate causes of this development were the sharp drop in employment in railroad equipment manufacturing and the lagging production which affected industry generally during most of 1949. Out-migration was particularly heavy during the mid-summer of 1949 when heavy employment slashes were made in railroad equipment manufacturing.

As indicated in Table 1, significant drops in employment and corresponding increases in unemployment began in the late spring of 1949 and continued during the summer and early fall period. These changes reflected the virtual shutdown in the railroad equipment manufacturing industry. Non-agricultural employment fell from a 1949 high of 8,400 in May 1949 to 7,900 in July, and 7,300 in September, leveling off at the latter figure until late in the first quarter of 1950 when the 150 to 200 workers still employed in railroad equipment manufacturing were laid off and other employment reductions of a temporary nature occurred. By March 1950, non-agricultural employment had declined to an estimated 6,825, a drop of nearly 18% in a year's period.

TABLE 1

ESTIMATED LABOR FORCE, BY EMPLOYMENT STATUS,
FOR THE LABOR MARKET AREA,
MARCH 1949 - MARCH 1950*

| Employment Status | Mar.15 1949 | May 15 1949 | July 15 1949 | Sept.15 1949 | Nov.15 1949 | Jan. 15 1950 | Mar.15 1950 |
|---|----------------|----------------|-----------------|-----------------|----------------|-----------------|----------------|
| Total labor force... | 12,200 | 12,400 | 12,200 | 11,900 | 11,625 | 11,600 | 11,825 |
| Unemployed | 1,400 | 1,400 | 1,600 | 1,900 | 2,200 | 2,400 | 2,500 |
| Employed | 10,800 | 11,000 | 10,600 | 10,000 | 9,425 | 9,200 | 9,325 |
| Non-agricultural | 8,300 | 8,400 | 7,900 | 7,300 | 7,325 | 7,200 | 6,825 |
| Agricultural | 2,500 | 2,600 | 2,700 | 2,700 | 2,100 | 2,000 | 2,500 |
| Unemployed as a percentage of the total labor force.. | 11.5 | 11.3 | 13.1 | 15.9 | 18.9 | 20.7 | 21.1 |

*Source: Compiled from labor market reports prepared by the Research and Statistics Section, Illinois State Employment Service and Division of Unemployment Compensation.

Sharply rising unemployment caused significant increases in amounts paid out in unemployment compensation benefits, as shown in Table 2. Unemployment compensation benefit payments rose from \$38,385 in April 1949 to \$52,000 in May--a rise of about 35%. By June the benefit payments had risen to \$67,140. The May increase was due chiefly to the fact that many workers who had been unemployed for some time became eligible for unemployment benefits on April 1. A substantial portion of the unemployment compensation paid in May was to persons affected by a plant shutdown of late 1948 or persons employed in other industrial areas who were laid off during the period of slack employment in the first quarter of 1949. The further increase in June and the high level of benefit payments during succeeding months were the direct result of the swiftly declining employment at the local railroad equipment manufacturing plant.

TABLE 2

UNEMPLOYMENT COMPENSATION BENEFITS PAID TO UNEMPLOYED WORKERS
IN THE LABOR MARKET AREA, BY MONTHS,
APRIL 1949 - MARCH 1950*

| | Unemployment Compensation Benefits Paid | Weeks of Unemployment Compensated | Claimants Who Exhausted Benefit Rights |
|------------------|---|---|--|
| Total | \$951,255 | 54,930 | 1,250 |
| April 1949 | \$ 38,385 | 2,250 | 40 |
| May | 52,000 | 3,020 | 10 |
| June | 67,140 | 4,030 | 10 |
| July | 50,590 | 2,950 | 40 |
| August | 81,385 | 4,740 | 50 |
| September | 100,340 | 5,790 | 90 |
| October | 93,845 | 5,370 | 130 |
| November | 87,960 | 5,150 | 110 |
| December | 94,160 | 5,370 | 100 |
| January 1950 .. | 112,505 | 6,360 | 170 |
| February | 94,450 | 5,360 | 310 |
| March | 78,495 | 4,540 | 190 |

*Source: Research and Statistics Section, Illinois State Employment Service and Division of Unemployment Compensation.

Benefit payments reached a 1949 peak in September as a result of the second cut in employment in railroad equipment manufacturing. The declines in payments in succeeding months did not reflect any improvement in the area's general economy, as work opportunities were practically non-existent. These declines were caused largely by progressive increases in the number of exhaustions of benefit rights.

The Illinois Unemployment Compensation Act limits the amount of benefits which an eligible worker may receive in accordance with his earnings in the previous calendar year. Thus, in 1949-50 a beneficiary might receive from \$10 to \$20 a week for anywhere from 10 to 26 weeks of total unemployment, depending on his 1948 earnings. The law also prevents a beneficiary from combining benefit rights accruing to him during two calendar years in order to draw more than 26 weeks of compensation without intervening employment. This limitation is popularly referred to as the "26 week" provision.

In some instances, the operation of the "26 week" provision of the Illinois law prevented or delayed receipt of further benefits until employment requirements of the law were met. In October 1949, 130 beneficiaries exhausted their rights to benefits. This figure remained high, reaching a peak of 310 in February. These peak periods reflected previous layoff high points and indicated that persons affected by layoffs were still unemployed when they exhausted their unemployment benefits.

The trend in gross retail sales in the county also indicates the changed economic situation. Comparative data for 1948-49 and 1949-50, as presented in Table 3, show that the effect of declining employment on gross retail sales was not felt until the final quarter of 1949 and became more pronounced during early 1950. Gross sales during the 1949-50 unemployment compensation benefit year beginning April 1, 1949, were maintained at virtually the same level as

during the 1948-49 benefit year from April through September. This occurred despite the heavy layoffs during the May-June 1949 period. However, beginning in October 1949 gross sales receipts slipped off considerably. The totals for the twelve-month period ending March 31, 1950, was an estimated \$1,350,000 or $4\frac{1}{2}\%$ under the corresponding figure for the previous year. Unemployment compensation benefits paid during the benefit year ending March 31, 1950, totaled more than \$950,000. Payment of these benefits, while not great enough to make up for more than a small portion of the lost purchasing power resulting from the increase in unemployment, helped prevent an even greater decline in gross sales and to that extent bolstered business and stabilized employment in other industries.

TABLE 3
GROSS RETAIL SALES FOR THE COUNTY, BY MONTHS,
APRIL 1948 - MARCH 1950*

| | Gross Retail Sales | |
|-----------------|--------------------|--------------------|
| | 1948-49 (000's) | 1949-50 (000's) |
| Total | \$ 29,065 | \$ 27,715 |
| April | \$ 2,520 | \$ 2,600 |
| May | 2,540 | 2,700 |
| June | 2,580 | 2,380 |
| July | 2,460 | 2,390 |
| August | 2,360 | 2,460 |
| September | 2,350 | 2,360 |
| October | 2,500 | 2,190 |
| November | 2,420 | 2,330 |
| December | 2,840 | 2,550 |
| January | 2,040 | 1,830 |
| February | 2,120 | 1,875 |
| March | 2,335 | 2,050 |

*Source: Projected from Retailers' Occupation Tax Receipts, Department of Revenue, State of Illinois.

2. THE SURVEY METHOD

The Sample

A sample of 545 families participated in the survey. The sample was drawn from the following "population": persons who had claimed unemployment compensation between April 1, 1949, the beginning of the benefit year, and February 10, 1950, the date the sample was drawn, provided (1) that the record was on file in the local unemployment compensation office on the latter date, and (2) that the family still lived in the selected county of Illinois at the time of the survey. The sample therefore includes families of claimants who were found on investigation not to be eligible for unemployment compensation, of claimants who were re-employed, and of claimants who had exhausted their benefits, as well as families of claimants who were receiving benefits at the time the sample was drawn.

A systematic 30% sample of the 3,843 claimants was drawn by selecting those with social security numbers ending in three specified digits. This sample of 1,153 individual claimants belonged to 1,129 distinct families.³ The addresses in the unemployment compensation file were mailing addresses, in many cases simply rural route numbers or general delivery and in many cases out of date. Street addresses within the county seat were eventually determined for 604 of these families, and interviews were sought with all of them. Interviews were also sought with 315 families, comprising a systematic 60% subsample of the families with rural or general delivery addresses, or with 919 families altogether. Because of the inadequate addresses and outmigration, it proved impossible to locate 209 of these families. In 105 cases, the address was apparently correct, but no eligible respondent was found at home,

³The procedure of sampling individual claimants instead of families tends to weight the sample with families with more than one claimant. No correction was made for this slight bias.

often after repeated calls. Funds were not available for repeated call-backs in the isolated rural sections of the county. Sixty families were unwilling or unable to give all the information needed. Satisfactory interviews were obtained from the remaining 545 families. The sample that was actually obtained was thus weighted with urban families. Within the rural sample the two kinds of non-response bias tended to counteract each other; for the rural families most difficult to find at home were either those relatively prosperous families where both adults were employed or those living in the very inaccessible rural slums.

Interviewing Technique

The survey data were collected during the last week of February and early part of March 1950, by personal interview in the respondent's home. Interviewers were instructed to talk to the main shopper in the family, who was generally the housewife, and to encourage other members of the family to participate in the interview. The detailed schedule developed for the survey represents an advance over the method that has traditionally been used in consumption studies, in which enumerators are told what information to get, but not how to get it. The Bureau of Labor Statistics is currently conducting an extensive program of research to determine the best way to procure expenditure data from consumers.⁴ Their preliminary results confirm our assumption that the wording of the questions has an important bearing on the validity of the data, and show that the complete solution of this complex problem requires vastly greater resources than were available for the present study.

⁴ I am indebted for information on the B.L.S. research program to Mr. J. Stevens Stock.

3. EMPLOYMENT STATUS

Definitions

The major categories of employment status are: employed full-time, employed part-time, and unemployed. They all refer to the survey week, which is the week immediately preceding the day of the interview. Thus, a man who worked full-time for part of the week and who had no work for the rest of the week, is considered partially employed for the week as a whole. A person is considered unemployed only if he wanted a job but had no work at all during the survey week.

A family is a spending unit, that is, related members of a household who share at least a portion of their income and expenditure.

The distinction between the main earner and the secondary earners of a family is useful in describing the employment situation of the families. The main earner is the member of the family who had earned the most during the year preceding the survey.⁵ Any other member of the family who was in the labor force during the survey week is termed a secondary earner. It should be noted that eight families had no main earner at the time of the survey, either because the person who had earned the most during the preceding year had died or left the household, or because no one in the family had worked during the year.⁶ Typically the main earner is the head of the household, and the highest paid worker when he is employed, but this is not necessarily true.

⁵The "year" is actually the period beginning April 1, 1949, and ending on the day of the interview in late February or early March 1950. Since farm owners did not report their earnings for the whole year, their earnings could not be compared with those of wage earners in the family, but farm owners who were heads of households were considered to be main earners.

⁶A family in which no one had worked during the year could only fall in the sample if some member had filed a claim for unemployment compensation during the survey year on the basis of his wage credits for the preceding year.

Employment Status of Families

Roughly speaking, half the families in the sample were directly affected by the local unemployment situation during the survey week. Fifty-six per cent reported at least one member unemployed, and 10% of the families reported more than one member unemployed during the survey week. The impact of the unemployment situation on these families is also indicated by the following facts: in almost half the families (48%) no one was working full-time; and nearly a third of the families (31%) had no earnings at all during the survey week.

In 8% of the families a worker with a lower wage rate, usually a woman, had become the main earner for the year because she had worked more steadily than the man who would normally be the main earner. In view of the extensive unemployment among skilled factory workers, it is perhaps surprising that only 8% of the families had shifted the responsibility for the main support of the family to a lower paid worker. There are two reasons for it, aside from the wage differential itself.⁷ In the first place, half the families had no other earner to fall back on when the head was out of work. Even among the large families of six or more persons, about a third had no secondary earner. In the second place, the lower paid workers themselves were often unable to find work.

Employment Status of Individuals

Main earners and secondary earners were unemployed to about the same extent during the survey week (Table 4). Roughly, 40% of each group were altogether unemployed. As would be expected, the secondary earners were more often working part-time than were the main earners. Less than

⁷The size of the differential between the full-time earnings of main earners and secondary earners is indicated by the earnings of the 172 families whose earnings for the week were derived solely from a single earner who was working full-time. The median earnings for 135 main earners was \$45.33 as compared with a median of \$29.60 for 37 secondary earners.

half of either group had full-time employment.

TABLE 4
EMPLOYMENT STATUS FOR THE SURVEY WEEK,
BY EARNER STATUS FOR THE YEAR

| Employment Status | Earner Status | | | |
|----------------------|---------------|----------|-----------|----------|
| | Main | | Secondary | |
| | No. | Per Cent | No. | Per Cent |
| Total | 532* | 100 | 344 | 100 |
| Fully employed | 232 | 44 | 125 | 36 |
| Partially employed.. | 69 | 13 | 86 | 25 |
| Unemployed | 231 | 43 | 133 | 39 |

*Of the 545 families, 8 had no main earner for reasons explained in the text; 2 main earners had withdrawn from the labor force; and 3 failed to report their employment status for the survey work.

The employment situation among the 231 families whose main earners were unemployed at the time of the survey shows that even multiple-earner families can suffer a severe reduction of income in times of unemployment. Although almost half (47%) of these families were multiple-earner families, only a fifth (20%) had a fully employed earner; and only a third (32%) had any earnings at all. In 19% of these families a secondary earner, as well as the main earner, was unemployed.⁸

Industrial Affiliation of the Main Earners

More than half the main earners were factory workers.⁹ The largest single group had worked in the railroad equipment shops that had been closed for more than six months. Retail trade, the service industries, and construction

⁸The sum of 32% (families with employed secondary earners) and 19% (families with unemployed secondary earners) is greater than 47% (multiple-earner families), because some families include both employed and unemployed secondary earners.

⁹Employed workers are classified by the industry in which they were working at the time of the survey; unemployed workers, by the industry in which they had worked longest during the preceding year.

had each provided employment for 11% of the main earners. Most of the other main earners worked in the oil fields or in agriculture. The families of a few farmers and businessmen were drawn into the sample because a secondary earner had filed a claim for unemployment compensation at some time during the benefit year. The industrial affiliation of the main earners is shown in Table 5.

TABLE 5
INDUSTRIAL AFFILIATION OF MAIN EARNERS,
BY THEIR EMPLOYMENT
STATUS FOR THE SURVEY WEEK

| Industry | All Main Earners | Employment Status | | |
|--|------------------|-------------------|--------------------|-------------------------|
| | | Fully Employed | Partially Employed | Unemployed ^a |
| Number of main earners... | 532 ^b | 232 | 69 | 231 |
| | Per Cent | Per Cent | Per Cent | Per Cent |
| Total | 100 | 100 | 100 | 100 |
| Manufacturing | 53 | 41 | 46 | 67 |
| Railroad equipment | 22 | 8 | 9 | 40 |
| Other manufacturing .. | 31 | 33 | 37 | 27 |
| Trade | 11 | 16 | 13 | 6 |
| Services | 11 | 19 | 13 | 3 |
| Construction | 11 | 11 | 12 | 11 |
| Mining | 7 | 5 | 4 | 9 |
| Agriculture | 5 | 7 | 12 | 1 |
| Not classifiable or not known | 2 | 1 | .. | 3 |

^a Unemployed workers are classified by the industry in which they had worked longest during the survey year.

^b Of the 545 families, 8 had no main earner; 2 main earners had withdrawn from the labor force; and 3 failed to report employment status for the survey week.

Railroad equipment workers were particularly hard hit by unemployment. Forty per cent of the main earners who were unemployed during the survey week, but only 8% of the fully employed main earners, were employees of this one company. Furthermore, railroad equipment workers account for an even greater proportion of the prolonged unemployment. Of the 102 main earners who had been out of work for more than six months at one time or another during the preceding year, 63% were railroad equipment workers. Finally, they account for a still greater proportion (72%) of those families whose main earners had been unemployed more than six months and were unemployed during the survey week.

4. INCOME

Definition

For the purposes of this study family income was defined as the total money income from all sources for all members of the family for the survey week. It thus includes wages and other earnings during the week, and the weekly proportion of any regular income from unemployment compensation, pensions, rents, relatives, relief, or other sources. Thirty-two of the 545 families in the sample failed to report their total income for the survey week. For this reason all income data pertain to the 513 families who did provide complete information on their income.

Income Level

The median family income for the survey week was just under \$37, and the average (mean) for all families was \$43.45. In other words, half the families in the sample had less than \$37 for the week, and half had more than \$37. A few relatively high incomes pulled the mean up to \$43.45. The distribution of family income is shown in Table 6. The reader should notice that the class intervals in the low income range are \$5 intervals, but that the intervals in the higher income range are progressively larger, which tends to obscure the skewness of the distribution. When this fact is borne in mind, the table shows a concentration of families in two class intervals: the very lowest and the \$20 to \$24 interval. These points of concentration reflect the fact that a considerable number of families had neither any earnings nor any unemployment compensation benefits, and that another sizeable group of families had practically no income except for a \$20 per week unemployment compensation benefit.

TABLE 6

DISTRIBUTION OF FAMILY INCOME
FOR THE SURVEY WEEK

| Family Income | Families | |
|-----------------|----------|----------|
| | Number | Per Cent |
| Total..... | 513* | 100 |
| \$ 0 - 4 | 52 | 10 |
| 5 - 9 | 17 | 3 |
| 10 - 14 | 14 | 3 |
| 15 - 19 | 13 | 3 |
| 20 - 24 | 86 | 17 |
| 25 - 29 | 32 | 6 |
| 30 - 39 | 58 | 11 |
| 40 - 49 | 54 | 10 |
| 50 - 59 | 51 | 10 |
| 60 - 79 | 66 | 13 |
| 80 - 99 | 40 | 8 |
| 100 & over | 30 | 6 |
| Mean..... | \$43.45 | .. |
| Median | \$36.91 | .. |

*Thirty-two of the 545 families failed to report their total family income.

Source of Income

The families in this survey had little money income except for their wages and such unemployment compensation benefits as their unemployed members were entitled to. Pensions, rents, allowances from relatives and relief play a minor role, even when the main earner is unable to get full-

time work.¹⁰ Table 7 shows that the families where the main earner was working full-time had an average income of \$65 for the survey week, and that 94% of their combined income was earned income, 84% of it from wages.

TABLE 7
SOURCES OF FAMILY INCOME FOR THE SURVEY WEEK,
BY THE MAIN EARNERS' EMPLOYMENT STATUS

| Sources | Employment Status | |
|---------------------------------------|-------------------|--------------------|
| | Fully Employed | Not Fully Employed |
| Number of families ^a | 216 | 287 |
| Mean family income | \$65.26 | \$27.77 |
| | Per Cent | Per Cent |
| Total | 100 | 100 |
| Wages..... | 84 | 45 |
| Other earnings except farm... | 6 | 4 |
| Farm..... | 4 | 4 |
| Unemployment compensation.. | 2 | 39 |
| Pensions, rents, gifts..... | 4 | 6 |
| Relief..... | (b) | 2 |

^aOf the 513 families reporting income, 8 had no main earner and 2 failed to report the main earner's employment status.

^bLess than 0.5%.

On the other hand, the families whose main earners were not fully employed had an average income of only about \$28. Among these latter families

¹⁰The county did not have funds to meet the increased need for "general assistance." During the year from April 1948 to March 1949 an average of 425 persons per month received some assistance, as compared with a monthly average of 523 the following year. In the same period the average amount paid per person per month decreased from \$18.83 to \$15.29. The changes between March 1949 and March 1950 were greater than these annual averages indicate. The case load increased from 525 persons in March 1949, to 925 the following March; and the average amount of assistance per person decreased in the same period from \$20.37 to \$13.25. (The data were supplied through the courtesy of Mr. Zane M. Polemis, Director, Research and Statistics, Illinois Public Aid Commission.)

unemployment compensation was almost as important a source of income as wages. Compensation accounted for 39% of the total income, wages for 45%, and all types of earnings for 53%.

The reader should bear in mind that the survey was conducted during the last week of February and the early part of March, that is, at the end of the unemployment compensation benefit year. Since no worker in Illinois may draw benefits for more than 26 weeks between April 1 of one year and March 31 of the following year, unemployment compensation contributed less to the income of unemployed workers at this season than it had contributed earlier in the benefit year. At the time of the survey almost a third (31%) of the unemployed workers in the sample had exhausted their benefits for the year.¹¹ Although 52 families included more than one unemployed worker, only 12 families were drawing more than one benefit during the survey week. Thus, the study gives a conservative picture of the role of unemployment compensation in maintaining purchasing power in a period of severe unemployment.¹²

The close relationship between family income and the employment status and unemployment compensation status of the earners in the family is shown in Table 8. Here the families are first grouped according to the number of full-time earners, and then according to the employment status and

¹¹Twenty-nine per cent of the unemployed main earners and 34% of the unemployed secondary earners had exhausted their benefits.

¹²A second seasonal factor in the income data should also be noted, although it is less important. Money income from farming tends to be low in late winter. Since the study dealt exclusively with families which included an industrial worker--that is, an unemployment compensation claimant--farm income was incidental in all but a few cases. Accordingly, farm families were not asked to report their money income for the whole year. They simply reported their money income from the sale of farm products during the month of February. Farm expenses were deducted from farm income to give an estimate of net farm income for the week. The one or two cases of negative farm income in this sense were arbitrarily treated as no income.

unemployment compensation status of the other earners. Column 1 shows that most of the families where no one was either working or drawing unemployment compensation had extremely low income, averaging about \$6 for the week. Column 2 shows that the average family where someone was drawing unemployment compensation but no one was working had almost no income except for the \$20 a week unemployment compensation benefit. As a matter of fact, 66 families had no income whatsoever except for the \$20 a week unemployment compensation benefit. Column 3 shows that families depending on part-time earnings, in some cases supplemented by unemployment compensation, had a wider range of income, averaging about \$34. Column 4 shows that most families with a single full-time earner had incomes between \$30 and \$80. Families with both a full-time earner and either a second earner or an unemployment compensation beneficiary account for most of the relatively high incomes in the sample, as shown in the two columns at the right of Table 8.

TABLE 8

DISTRIBUTION OF FAMILY INCOME FOR THE SURVEY WEEK, BY THE EMPLOYMENT AND UNEMPLOYMENT COMPENSATION STATUS OF THE SEVERAL EARNERS IN A FAMILY

| Family Income | No Full-Time Earner | | | One Full-Time Earner | | Two or More Full-Time Earners ^a (Number) (6) |
|--------------------------|--------------------------------------|---|-------------------------------------|---|--|---|
| | No Part-Time Earner | | Part-Time Earner (Number) (3) | No Part-Time Earner No UC Beneficiary (Number) (4) | Either Part-Time Earner or UC Beneficiary (Number) (5) | |
| | No UC Beneficiary (Number) (1) | One or More UC Beneficiaries (Number) (2) | | | | |
| Total ^b | 71 | 93 | 83 | 137 | 72 | 57 |
| \$0 - 4... | 47 | .. | 3 | 2 | .. | .. |
| 5 - 9... | 6 | .. | 11 | .. | .. | .. |
| 10 - 14... | 6 | 2 | 5 | 1 | .. | .. |
| 15 - 19... | 2 | 3 | 4 | 4 | .. | .. |
| 20 - 24... | 5 | 69 | 6 | 4 | 2 | .. |
| 25 - 29... | 3 | 7 | 14 | 8 | .. | .. |
| 30 - 39... | 1 | 10 | 12 | 31 | 3 | 1 |
| 40 - 49... | .. | 2 | 14 | 25 | 10 | 3 |
| 50 - 59... | .. | .. | 7 | 27 | 16 | 1 |
| 60 - 79... | .. | .. | 3 | 21 | 24 | 18 |
| 80 - 99... | 1 | .. | 2 | 7 | 13 | 17 |
| 100 & over | .. | .. | 2 | 7 | 4 | 17 |
| Mean..... | \$6.28 | \$22.41 | \$34.28 | \$50.89 | \$66.14 | \$90.88 |

^aThe 57 families with two or more full-time earners include 5 families with three or more full-time earners, and 8 families with one or more part-time earners in addition to the full-time earners.

^bThirty-two of the 545 families failed to report their total family income.

Income in Relation to Size of Family

Since large families need more income than small families to maintain a bare subsistence level of living, it is worthwhile to look at the relationship between family income and size of family. As would be expected, the larger families had somewhat larger incomes than small families in general (Table 9). The single person families had the lowest average income, and the very large families the highest. Families of three or four or five persons, however, typically include only two adults with one breadwinner; the median income in this middle range was about \$40.

TABLE 9
MEAN AND MEDIAN FAMILY INCOME FOR THE
SURVEY WEEK, BY SIZE OF FAMILY

| Size of Family | No. of Families | Family Income | |
|--------------------|-----------------|---------------|---------|
| | | Mean | Median |
| All families | 513* | \$43.45 | \$36.91 |
| 1 person | 24 | \$16.83 | \$19.63 |
| 2 persons | 148 | 39.14 | 31.00 |
| 3 persons | 133 | 45.96 | 39.50 |
| 4 persons | 93 | 47.52 | 40.00 |
| 5 persons | 60 | 45.15 | 39.50 |
| 6 persons | 29 | 47.52 | 45.00 |
| 7-10 persons | 26 | 56.69 | 64.00 |

*Thirty-two of the 545 families failed to report their total family income.

Table 10 shows the median per capita income by family size. There is a marked tendency for larger families to fare worse than small ones. In our society we expect a man with a large family to sacrifice his standard of living to some extent in order to support his family, and we do not as a

general rule pay him more, simply because he has more dependents. However, when industry shuts down and the head of a large family is thrown out of work through no fault of his own, it is hard to justify our assumption that his family can subsist very long on the same unemployment compensation benefits that a single man needs. The minimum cost of food, housing and household operation is about \$9 per person per week, to judge by the mean per capita expenditure for these essentials by the 169 families in which no one was working full-time. This suggests that the unemployment insurance law will fail to provide a minimum amount of protection to all workers unless it provides allowances where necessary for dependents. Eleven states have such provisions in their unemployment compensation laws.

TABLE 10
MEAN AND MEDIAN FAMILY INCOME PER CAPITA FOR THE
SURVEY WEEK, BY SIZE OF FAMILY

| Size of Family | No. of Families | Family Income Per Capita | |
|--------------------|-----------------|--------------------------|---------|
| | | Mean | Median |
| All families | 513* | \$14.50 | \$11.17 |
| 1 person | 24 | \$16.83 | \$19.63 |
| 2 persons | 148 | 19.57 | 15.50 |
| 3 persons | 133 | 15.32 | 13.17 |
| 4 persons | 93 | 11.88 | 10.00 |
| 5 persons | 60 | 9.03 | 7.90 |
| 6 persons | 29 | 7.92 | 7.50 |
| 7-10 persons | 26 | 7.43 | 8.07 |

*Thirty-two of the 545 families failed to report their total family income.

5. EXPENDITURE

Definitions

Total family expenditure is defined as the total cost of goods and services bought by all members of the family during the survey week, together with the weekly proportion of such regular monthly expenses as rent. It does not include any estimate of the money value of goods consumed during the week if they were grown on the family farm or otherwise received as income in kind; nor any estimate of the cost of goods consumed from stocks on hand at the beginning of the week since this is approximately offset in the averages to be presented by the cost of goods purchased but not consumed during the survey week.

Expenses are itemized under six major categories: Food, Housing and Household Operation, Clothes, Transportation, Medical Care, and Miscellaneous. Food includes the cost of food purchased for the use of the family and their guests but excludes the cost of food purchased for boarders. Housing and Household Operation includes rent or payments on a mortgage (but no nominal rent for home owners or for families receiving rent-free housing) and the cost of fuel, utilities, furnishings, etc. Transportation consists largely of repairs, fuel, and installment payments on automobiles and trucks. Medical Care includes fees for physicians' services, drugs, etc. The miscellaneous items of expenditure include recreation, personal care, tobacco, newspapers, etc., and also insurance premiums, which are an item of expense from the point of view of the respondent, if not to the economist.

Since the percentage distribution of family budgets depends on the size of the family among other things, it would be desirable to analyze the expenditure data for families of different sizes separately, but in a study as small as this, sampling fluctuations preclude such refined analysis. It is possible, however, to control gross differences in family size by converting

all expenditure data to a per capita basis, and this procedure has been adopted.

Distribution of Expenditure

The percentage distribution of per capita expenditure for the survey week is shown in the first column of Table 11 for all the families in the sample. Since budgets normally vary from one income level to another, the data are also presented separately for three per capita income groups. In general, the usual relationships between income level and the distribution of the budget are obtained, despite certain special circumstances in the local situation which might have been expected to obscure or to reverse them.¹³

TABLE 11

DISTRIBUTION OF FAMILY EXPENDITURE PER CAPITA,
BY PER CAPITA INCOME, BOTH FOR THE SURVEY WEEK

| Item of Expenditure | All Income Levels | Per Capita Income | | |
|--|-------------------|-------------------|----------|----------|
| | | \$0-7 | \$8-15 | \$16-100 |
| Number of families | 545* | 166 | 163 | 184 |
| Mean <u>per capita</u> expenditure: all items | \$16.89 | \$11.38 | \$15.26 | \$23.35 |
| | Per Cent | Per Cent | Per Cent | Per Cent |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |
| Food..... | 31.5 | 36.1 | 31.0 | 29.8 |
| Housing and household operation..... | 26.5 | 27.6 | 28.7 | 24.8 |
| Clothes..... | 8.8 | 6.8 | 7.1 | 11.0 |
| Transportation..... | 11.2 | 9.2 | 12.6 | 11.6 |
| Medical care..... | 4.5 | 4.5 | 3.8 | 4.4 |
| Miscellaneous..... | 17.5 | 15.8 | 16.8 | 18.4 |

*The number of families in the first column exceeds the sum of the frequencies in the other three columns because 32 families failed to report their total income.

¹³ Compare, for instance, Family Spending and Saving in War Time, Bulletin No. 822, United States Department of Labor, Bureau of Labor Statistics, 1945, Table 5, p. 75.

The high proportion of the budget devoted to food by the lowest per capita income group (36%) is characteristic of families living in poverty. The proportion of income spent on food shows the usual relation to income level: the higher the income, the smaller the proportion spent on food. This was not a foregone conclusion because the lowest income group in this particular universe includes a relatively large proportion of rural families who raise some of their own food (Table 12). Largely because of this difference in urbanization, only 44% of the lowest per capita income group had to buy all their food at the season covered by the study, whereas 71% of the highest income group had to purchase all their food. Thus, even though the rural families in this study are, by definition of the universe, families which include an industrial worker rather than typical farm families, and even though some families had exhausted their stock of home grown food by late February when the survey was made, the urban-rural differences in food purchasing habits are real. Rural families of the two higher per capita income groups spent no more for food than urban families of the lowest income group. The mean expenditure for the survey week was about \$5 per person in each case. The striking thing is that despite the fact that less than half the families in the lowest income group had to purchase all their food, they were still spending on the average 36% of their budget on food alone.

The second most important category of expenditure was housing and household operation. The highest per capita income group spent proportionately less on housing and household operation than the lower groups, despite the fact that relatively few of the families in the top income group were home

owners (Table 12).¹⁴ This reflects the fact that moving into cheaper living quarters is a drastic way to balance the budget, adopted only as a last resort. The low income families in this study were families who were normally self-supporting but who were going through a temporary period of unemployment. For this reason, many of them expected their incomes to increase during the ensuing year.¹⁵ This optimism would tend to deter families from moving merely for the sake of reducing their rent, and thus would tend to make the expenditure for housing by families of the lowest income group high in proportion to their current, abnormally low, income.

TABLE 12

PERCENTAGE OF THE FAMILIES WITH VARIOUS CHARACTERISTICS,
BY PER CAPITA INCOME FOR THE SURVEY WEEK

| Characteristics | All Income Levels (%) | Per Capita Income | | |
|------------------------------|-----------------------|-------------------|------------|--------------|
| | | \$0-7 (%) | \$8-15 (%) | \$16-100 (%) |
| Live outside the city | 37 | 52 | 29 | 28 |
| Buy all their food | 55 | 44 | 52 | 71 |
| Own their home outright* ... | 40 | 43 | 38 | 36 |

*This category includes 10 families who had rent-free housing.

¹⁴Forty-three per cent of the lowest income group, 38% of the middle group, and 36% of the highest group either had paid off the mortgages on their homes or, in a few cases, had rent-free housing. This reflects the greater urbanization of the highest income group; for the rural families are more likely to own their homes. Since home owners can reduce their cash outlay by postponing maintenance during a period of unemployment, their expenditure for housing tends to be less than that of tenants. Rural families of the lowest per capita income group spent on the average \$2.41 per person per week for housing and household operation, but urban families of the same income group averaged \$3.96 per person per week.

¹⁵In the lowest income group 55% of the respondents who ventured a prediction anticipated an increase in their family income, in the middle group 37%, and in the highest income group only 25% anticipated an increase.

Thus, food and housing together absorb 64% of the budget of the lowest per capita income group, 60% of the middle group and 55% of the highest income group, despite the fact that the lowest income group, which includes more rural families, has more income in kind, in the form both of food and of housing. If we can assume that the families in the highest per capita income group are following a more or less normal pattern of expenditure then it is clear that at least 55% of their per capita expenditure would be classed as "non-deferrable." This is the portion of a worker's budget which the unemployment compensation weekly benefit is supposed to cover.

The purchase and upkeep of clothes account for 9% of the total per capita expenditure for all the families in the sample as a whole. This proportion would probably be higher at other seasons. The highest income group spent proportionately, as well as absolutely, more than the other lower income groups on clothes, even though many of the families in the lowest income group had reached the point where they needed new clothes because the main earner had been unemployed many months.

Transportation accounts for 11% of the total expenditure and shows no consistent relationship to income level in the income range covered by this study. Medical care accounts for about 4% of the budget of each group, and miscellaneous expenses make up the balance.

6. SAVING AND DISSAVING

Definition

The amount of saving or dissaving for the survey week is used here for the excess (+) or deficit (-) obtained by subtracting a family's total expenditure for the survey week from its total money income for the same week.¹⁶ The data are presented on a per capita basis to allow for differences in size of family.

Accumulated Savings

One factor in the over-all consumption level at the time of the survey is that 16% to 18% of the families in each of the three major per capita income groups had received "windfalls" of \$50 or more in the month of February, in most cases either G. I. insurance refunds or income tax refunds. The use of accumulated savings is another factor in the expenditure pattern. Forty-four per cent of the families reported that they had practically no liquid assets-- that is, not more than \$50--either at the time of the survey or twelve months earlier. The other 56% of the families did have liquid assets of at least \$50 either at the one time or the other. And of this group, almost two-thirds (64%) had experienced a net reduction in liquid assets over the year. Only 7% reported an appreciable increase in their savings.¹⁷

Table 13 shows that the reduction in liquid assets is related to the length of time that the main earner of the family had been out of work. Eighty-five per cent of the families whose main earners had been unemployed for more than six months at one time or another during the year, but only 47% of the families whose main earners had had steady work throughout the year, reported

¹⁶ It should be recalled that total expenditure includes some insurance premiums that are technically savings.

¹⁷ Twenty-five per cent said that their "savings were about the same"; and 4% failed to make the comparison.

that their savings were less than they had been a year before. About half the families had had to use their accumulated savings for ordinary living expenses normally met from income. About a quarter attributed the reduction in their savings to a major purchase they had made, and an eighth to an emergency, such as illness.

TABLE 13

PERCENTAGE OF FAMILIES WHOSE LIQUID ASSETS WERE LESS THAN THEY WERE A YEAR EARLIER, BY THE DURATION OF UNEMPLOYMENT OF THE MAIN EARNER FOR THE SURVEY YEAR

| Duration of Unemployment of the Main Earner (Months) | Number of Families with Assets | Families Whose Liquid Assets Were Less Than a Year Before (%) |
|--|--------------------------------|---|
| All families reporting assets | 307* | 64 |
| Under 2 weeks | 89 | 47 |
| 1 - 3 months | 94 | 65 |
| 4 - 6 months | 40 | 78 |
| 7 - 12 months | 53 | 85 |
| Irregular employment: duration unknown | 31 | 58 |

*Three hundred seven families reported liquid assets of \$50 or more either at the time of the survey or twelve months previously.

Saving and Dissaving for the Survey Week

Table 14 shows a decrease in the proportion of families who had spent more than their incomes during the survey week, as per capita income increases. The relationship is remarkably consistent considering that the 10 per capita groups are small. Thus, all the families whose incomes were \$0 - \$1 per person per week had spent more than their incomes, but only 17% of the families whose incomes were at least \$28 per person per week had spent more than their incomes. The latter figure calls attention to the fact that data

such as these must be interpreted with caution because they are based on a particular week rather than on an average week. To say that 17% of the relatively prosperous families had spent more than their income during the survey week does not necessarily mean that any of them were consistently living beyond their income. Families do not necessarily balance their budget week by week, even though they do balance expenditure and income over a longer period of time. Thus, when a group of families who, in the long run, are just making ends meet, report their income and expenditure for a particular week, we should expect about half of them to report an excess and about half to report a deficit simply as a result of chance factors. Table 14 shows that half of the families with per capita incomes of \$12 - \$13 a week spent more than their incomes, and that half spent less. Roughly speaking, as a group they were breaking even, although the median family at this income level actually spent 50¢ more than its income as shown in the column at the extreme right of Table 14. It is only in the next higher income group, where the family income is \$14 - \$15 per person for the week, that the median shows a balance between expenditure and income. Thus \$14.50, the mid-point of this interval, can be taken as a convenient summary figure to indicate the per capita income level at which families with the needs, consumption habits, and expectations characteristic of the families in this particular universe make ends meet. The figure, of course, is for the late winter and for the price level prevailing in 1950.

TABLE 14

PERCENTAGE OF FAMILIES WHO SPENT MORE THAN THEIR INCOME,
AND AMOUNT OF SAVING OR DISSAVING PER CAPITA,
BY PER CAPITA INCOME, ALL FOR THE SURVEY WEEK

| Per Capita Income | Number of Families | Percentage Who Spent More Than Income | Saving or Dissaving Per Capita | |
|--------------------|--------------------|---------------------------------------|--------------------------------|----------|
| | | | Mean | Median |
| All families | 513* | 59 | -\$ 2.40 | -\$ 2.17 |
| \$0 - 1 | 55 | 100 | -\$12.53 | -\$10.25 |
| 2 - 5 | 72 | 93 | - 5.69 | - 4.63 |
| 6 - 7 | 39 | 90 | - 5.69 | - 4.25 |
| 8 - 9 | 39 | 74 | - 4.15 | - 2.88 |
| 10 - 11 | 59 | 61 | - 5.25 | - 2.67 |
| 12 - 13 | 40 | 50 | - 3.88 | - 0.50 |
| 14 - 15 | 25 | 48 | - 2.16 | 0.00 |
| 16 - 19 | 53 | 34 | - 0.32 | 1.40 |
| 20 - 27 | 65 | 28 | 1.43 | 4.67 |
| 28 - 100 | 66 | 17 | 10.50 | 9.67 |

*Thirty-two of the 545 families failed to report their total family income.

Actually this meant that unless one member of the family had a full-time job, the family was likely to be living beyond its income. Table 15 shows the per capita income, the proportion of families who spent more than their income in the week covered by the survey, and the differences between income and expenditure, for each of the groups shown in Table 8. Eighty-three per cent of the families with no earnings but some unemployment compensation were spending more than their incomes. The median family in this group spent \$5 per person per week more than its income.

TABLE 15

PER CAPITA FAMILY INCOME, PERCENTAGE OF FAMILIES WHO SPENT MORE THAN THEIR INCOMES,
AND AMOUNT OF SAVING OR DISSAVING PER CAPITA, ALL FOR THE SURVEY WEEK,
BY THE EMPLOYMENT AND UNEMPLOYMENT COMPENSATION STATUS OF THE
SEVERAL EARNERS IN A FAMILY

| Employment and U. C. Status | Per Capita Income | | Percentage Who Spent More Than Income* | Saving or Dissaving Per Capita | |
|---|-------------------|---------|--|--------------------------------|---------|
| | Mean | Median | | Mean | Median |
| All families | \$14.50 | \$11.17 | 59 | -\$2.40 | -\$2.17 |
| No full-time earner | | | | | |
| No part-time earner | | | | | |
| No UC beneficiary | \$ 3.01 | \$ 0.00 | 94 | -\$10.54 | -\$9.14 |
| One or more UC beneficiaries | 8.35 | 7.07 | 83 | - 6.82 | - 5.11 |
| Part-time earner | 11.99 | 9.80 | 61 | - 1.50 | - 2.14 |
| One full-time earner | | | | | |
| No part-time earner, no UC beneficiary..... | 17.97 | 15.75 | 50 | - 1.50 | - 0.56 |
| Either part-time earner or UC beneficiary. | 19.33 | 17.00 | 40 | 1.25 | 1.36 |
| Two or more full-time earners | 28.05 | 26.33 | 18 | 6.84 | 6.80 |

*For the bases of these percentages, see Table 8.

Evaluation of the Unemployment Compensation Program

If \$14.50 per person per week is adopted as a standard, the income level of families who were drawing some unemployment compensation during the survey week can be evaluated. About a third of the families in the sample (165 of the 513 who reported income) were receiving some unemployment insurance.¹⁸ Their median per capita income was only \$9.74 or almost \$5 per person per week less than the "standard." Whether or not this standard is applicable, the importance of the benefits can be seen from the fact that if these families had not been eligible for unemployment compensation, their median per capita income for the week would have been only \$1.17.

As noted above, 66 families had no income whatsoever aside from the \$20 a week benefits. These families had actually spent on the average \$27 for food, housing and household operation during the survey week, and more than \$6 for transportation, which a worker must have if he is to seek work, or \$33.60 altogether for non-deferrable expenses. In a community with better public transportation, food costs would undoubtedly be higher for lack of opportunity to grow food. Thus \$33.60 may be considered to be essential to cover the non-deferrable expenses of a family. The average total expenditure for these families for the week was actually \$45.56, which was more than twice their income and nearly twice the present maximum benefit in Illinois of \$25 a week.

Thus, although the law provides that involuntarily unemployed workers who are insured, and who are able and available for work are entitled to certain benefits based on their previous earnings without regard to need, it is abundantly clear that most families in the present study who were drawing unemployment compensation benefits urgently needed the money.

¹⁸In 81% of these families, the main earner was altogether unemployed and in another 10% the main earner had only part-time work.

7. CONCLUSION

Despite the enthusiastic support of some business leaders, other members of the business community have been inclined to resent the tax burden imposed by the unemployment insurance program. The arguments usually advanced by those who oppose the program are (1) that some beneficiaries are secondary earners whose earnings are not essential to the support of their families, or seasonal workers with no permanent claim on the labor market, (2) that in a rural environment, industrial workers can subsist throughout a period of unemployment by part-time farming, and (3) the receipt of unemployment insurance benefits discourages workers from seeking re-employment. There is an element of truth in each of these contentions which deserves thoughtful consideration by all concerned. Nevertheless businessmen can ill afford to ignore the findings of a study such as this--in their own self-interest. It has been shown that even in a semi-rural community and even though some families have more than one earner, a situation can arise where the unemployment compensation benefits are urgently needed, not only from the point of view of the beneficiaries and their families, but also from the point of view of any businessmen whose economic welfare depends, directly or indirectly, on the purchasing power of the local workers and their families.

Since no one proposes to let American workers starve, there are only three alternatives to unemployment insurance. Theoretically the unemployed workers could rely on outright relief in case of need, but that expedient only shifts the tax burden from employers to real estate owners. Or, if employment is expanding elsewhere, the unemployed workers can move to areas where the demand for their particular skills is greater. In the long run it is desirable that the labor force be distributed throughout the country as the labor market requires, but the dislocation involved in breaking up families or moving them during temporary unemployment involves tremendous hardship

on the workers, and also makes it hard for the local industries to procure the skilled labor they need when they do resume operations. Finally, the unemployed workers can live for a while on their accumulated savings and on credit from local dealers.

Since the funds available for relief were severely limited, what had actually happened in the community studied was a combination of the latter two alternatives. Local merchants were obliged to extend credit to old customers, and, as the difficulty encountered in locating the families in the original sample showed, many of the unemployed workers had left the area in search of employment. Over and over again respondents mentioned the possibility of leaving as a last resort if the local unemployment continued. Many of the businessmen were concerned about the future of the town because of the outmigration. In the final analysis, the local businessman suffers whether his customers live on savings and credit or leave the area. As long as there is some assurance that the local industries will reopen--as they have in fact done in the community studied since the survey was completed--an unemployment insurance program, generous enough to provide for the essential needs of the unemployed workers and their families, is in the best interest of the local business community.