The Social and Economic Aspects of Family Allowances to Wage Earners in the United States

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THE SOCIAL AND ECONOMIC ASPECTS OF FAMILY
ALLOWANCES TO WAGE EARNERS
IN THE UNITED STATES

by

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A Thesis Submitted to the Faculty of the Graduate School
of Loyola University in Partial Fulfillment of
the Requirements for the Degree of
Master of Social and
Industrial Relations

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CHAPTER I

INTRODUCTION

Over the past half century there has been a growing problem which is now acute, in that it effects the very foundation of all nations in both Europe and America; namely the difficulty of men to earn a wage, large enough to support and properly raise a family.

In order to combat this problem, varied systems of Family Allowances have been instituted in over forty nations including the United States.¹

Family Allowances may be defined as "supplemental income distributed to parents by either government or private funds for the support of growing children."²

Family allowances may be broadly classified as:

1. Those restricted to public service, including the armed services.

2. Those provided by private undertakings; jointly by

¹ Waggaman, M. T., "Family Allowances; Experiments to Date", America, May 29, 1949, 190.

the State and private industry; or by the State, private industry and the workers. These benefits may be voluntary or compulsory.

3. Those involving direct family endowment by the State.3

The fundamental problems of family allowances may be best understood by examining a simple example which is purely hypothetical:

Two men of the same age work for an employer in a basic industry as semi-skilled laborers. These men have both been employed by this employer for the same period of time and have had essentially the same work records and at the present perform the same type of work. However there is one social difference between these two men. One is single with no dependents and the other is married and has a wife and three children as dependents. As a result the two men have a substantial difference in their standard of living, since one is single, and may do with his wages as he alone sees fit; whereas the married man must also support his family.

The question then arises as to whether the employer is obligated to pay these two men a wage which will ensure each of them the same standard of living or whether he is merely obligated

to pay them in strict accordance with the units produced by them.

Economically speaking he is only responsible for reimbursing them for their productive labor.

However if the married man does not receive a wage sufficient to support his family adequately, then the employer may indirectly be contributing to the moral decay of fundamental family life.

But what if the employer is not financially able to give additional income to the family man in his employ? In this event it would appear that the responsibility would then fall upon the government. But this would cause an unequal economic burden upon employers, since some would be paying additional income to their married employees out of company profits whereas other employers would have this cost paid by the government.

This cursory example shows but a few of the many problems which surround the family allowances today.

It is the author's contention that a true theory of the remuneration of labor demands that the worker's minimum wage be whatever amount is necessary in order that he might discharge his fundamental moral and social duties, which include the support of his wife and children if he marries.
CHAPTER II

THE ECONOMIC, SOCIAL AND MORAL DESIRABILITY OF A FAMILY ALLOWANCE PLAN

A discussion of family allowances may be said to encompass tenets of morality, sociology and economics and to be basically dependent upon them. It is our purpose to discuss these aspects of family allowances and show their relationship.

MORAL

The position of the Catholic Church has been made clear by both Pope Leo XIII and Pope Pius XI in their Papal Encyclicals. Pope Leo stated that through the labor of workers states grow rich, and Pope Pius clarified his thought by noting that labor's contribution is enhanced by machinery and other physical capital. Both upheld the right of management and investors to their just share from the joint product. But, at the same time, they denied the theory that labor was a commodity whose value was to be determined exclusively by the market. Pope Leo stated that over and above the wage contract there is natural justice, the demand that the wage be sufficient to
support the worker who is thrifty and upright. Here again, Pope Pius added clarity, by specifying that this wage be sufficient to support not only the worker, but his family as well.

Many would argue that children until they reach a productive age, mothers during the time when they are engaged in bearing and rearing children, and those unemployable because of age, must be considered a charge of the community rather than of individual members thereof. They cannot be considered a charge of industry because wages cannot be adjusted to meet family needs. Therefore these burdens must be assumed by the community.

This argument looses sight however, of the hierarchy of obligation on each individual head of the family to support his offspring. It is aptly expressed by Pope Leo XIII:

For it is a most sacred law of nature that a father provide food and all necessaries for those whom he has begotten; and similarly, nature dictates that a man’s children who carry on, as it were, and continue his own personality, should be provided by him with all that is needful to enable them honorably to keep themselves from want and misery in the uncertainties of this moral life....

In Quadragesimo Anno, Pius XI also writes: "In the first place, the wage paid to the working man must be sufficient for the support of himself and his family."

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5 Ibid., Quadragesimo Anno, 144.
Again in Quadragesimo Anno, Pius XI further writes:

Every effort must therefore be made that fathers of families receive a wage sufficient to meet adequately ordinary domestic needs. If in the present state of society this is not always feasible, social justice demands that reforms be introduced without delay which will guarantee every adult working man just such a wage. In this connection we might utter a word of praise for various systems devised and attempted in practice, by which an increased wage is paid in view of increased family burdens, and a specific provision is made for specific needs. 6

But who must pay this wage? Obviously, the employer must pay this living family wage. If the enterprise, through no fault of management, is unable to pay this living wage,

...the condition of any particular business and of its owner must come into question in settling the scale of wages; for it is unjust to demand wages so high that an employer cannot pay them without ruin and without consequent distress among the working people themselves. 7

Therefore, the burdens mentioned above are primarily the responsibility of the head of the family. He in turn, has a right to receive a family living wage from his employer.

SOCIAL

Family allowances were created primarily to meet a specific problem. In practically every country of western Europe, Great Britain, and Canada, a serious social, economic and moral situation had arisen because of the loss of worker's purchasing

6 Ibid., 145.
7 Ibid., 145.
power. Prices advanced very rapidly in all of these countries during World War I and during the immediate post-war years. When wages did not advance at a commensurate pace, purchasing power was lost, especially in the middle and lower economic classes. This loss of purchasing power led to either a lowering of the standard of living or a decrease in the birth rate. A grave socio-economic problem had arisen. If the standard of living were lowered, health problems began to appear from malnutrition and poor housing conditions. If the number of consumers were decreased, the problems attendant on a falling birth rate appeared to threaten the common good.

The two basic issues which run through the debate over family allowances are, first, the effect on the birth rate and, second, whether there are other better ways of attaining the objectives. 8 Some oppose family allowance systems on the ground that it is not just or natural to place part of the burden of the support of children on anyone except their parents. Some countries adopted the family allowance system as a part of a population policy with the expectation that it would operate to check the decline in the birth rate and to help supplement all those killed in the ravages of war. In others no such effect was

desired. The policy was entirely an expression of concern with the nurture of children whatever their numbers might be. Opposition to the policy may be based upon the conjectural effect upon the over-all or the differential birth rate. It may be argued that it would so increase the rate of population growth that poverty would deepen. However the magnitude of the effect upon the birth rate is highly problematic in view of the variety of factors which seem to influence it.

Whether the family allowance is a part of population policy or has other objectives, there is the question of whether its objectives could be better attained in some other way. If the concern is child welfare, shall the supplements to the family for the benefit of children be in cash or in kind? Most of the laws providing for cash payments specify that the money shall be spent for the benefit of the children; but except in the case of families whose law standards for child care would bring them to the attention of the authorities, this mandate can scarcely be enforced. The question can be put this way: Will this expenditure of public money yield most in benefit to the children if it is distributed to families to be used according to their needs? Or will it yield most if the state decides upon and provides those things for which children have the greatest need? The state may view the outlay as investment and ask: Which uses would be the most profitable if the children are regarded as future citizens and workers? Strong arguments could be made for
educational and recreational services, medical and dental services, school lunches, midmorning milk, improved housing, rather than cash supplements to the family income. This presents an individual problem in the United States, however, since the mental attitude of the people might be aroused if the plan takes on too many socialistic tendencies and thereby be rejected.

However, cash supplements to family income and free goods and services are not mutually exclusive alternatives. Many of the nations with a family allowance system make large outlays for free goods and services, although the provision of the latter could be enlarged by a transfer of the funds paid in family allowances. If a society wants to make sure that all children have the opportunity to benefit from certain goods and services, they must be provided and made available at public expense. Services such as the State can provide may lessen the demands upon the family income, but there will remain individual and joint needs for which this income must provide. The family allowance and the provision of free goods and services of suitable kinds may be thought of as complementary rather than as alternative solutions to the problem.10


10 Callaghan, Family Allowance Procedure, 237.
The results of family allowances in society would include benefits of good citizenship, community health, cooperation and prosperity. There is the possibility that the proper number of children in each family may produce a better balanced community and react favorably on the general prosperity of the community. There is the possibility of saving part of the enormous sums society now pays to meet its health bills, its juvenile delinquency and its poverty bills.

For the family, it may mean better housing, better diet or improved recreational facilities. For the parents there are many possibilities, both material and spiritual. For those parents who have willingly sacrificed many things that they might legitimately have had in order that their children might have adequate food, shelter and medical care, allowances would release a part of their income for their own use for things which are beyond the bare necessities of life. Perhaps greater than anything else, there would be hope and courage for the future.

ECONOMIC

As a result of faults in economic life, there are social problems which menace the stability of our families. Here the basic need is a living wage, for all male workers, which would support a family in decent comfort. It is difficult for
the average worker to have more than two children and provide adequate food, housing, clothing, medical care, education, and some minimum comforts of life. We have at our disposal sufficient statistics as to the cost of living, average wages, income distribution, and total income received by both city and rural families to know that the problem of raising even a moderately large family is very great. The Metropolitan Life Insurance Company has estimated that the cost of raising a child in an American family until the eighteenth birthday in a $2,500 income bracket is $10,000. This equals $555 per year on the 1935-36 cost of living figure. Today this amount would be understandably higher. About one-third of our four person families and over half of the six person families living in large cities receive incomes inadequate for decent living. The average wage received by male workers permits moderate comfort for a non-working wife and one child if they live in large cities. Thus there are grave economic obstacles to decent family life.

These economic problems are made clearer when the incomes of large families in the United States are examined. Bureau of Census figures show that 21.9 per cent of the three-

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child families in 1950 earned less than $2,000 income, and that 40.6 percent had less than $3,000. Of the four-child families, 25.5 percent received less than $2,000 and 56.9 percent less than $3,000. Of the families with the largest number of children, 41.4 percent had less than $2,000 and 59.3 percent less than $3,000.\textsuperscript{13}

Many might here argue that these statistics cannot be taken on their face value since they do not take into consideration the fact that many of these families probably receive supplemental income in kind, because they live in rural communities. However an examination of industry distribution shows that this is not true. Heads of the great majority of the families were in non-rural occupations. The proportion of family heads in non-agricultural industrial groups, was as follows: three child family heads, 82.0 percent; four-child, 80.1 percent; five child 64.9 percent; six or more child, 68.0 percent.\textsuperscript{14}

The problem of having a large family and being restricted by a limited income is made more irksome when one realizes that the economic cost of raising a child is much greater today than what it was fifty years ago. Today society

\textsuperscript{13} Corley, F. J., "Family Allowances," 150.

\textsuperscript{14} Corley, F. J., "Family Allowances," 151.
frowns upon child labor and its financial exploitation whereas previously it was considered to be a necessity during the industrial revolution when children were actually chained to their machines or forced to work in coal mines. The fact that these conditions no longer exist today is a credit to our modern society. But the factor which most of our modern society has forgotten is that this source of family income was alleviated with no other means even attempted to be used as a supplement.

There are several economic steps that might be taken in an attempt to correct this need for supplemental income to families, but each has unique individual problems.

One possible solution would be a minimum wage standard, based upon total annual income. This would probably have to be regulated by federal legislation. As an arbitrary wage we shall assume it to be $2,500 per year.

"There are two possible methods for guaranteeing annual wages: stabilizing production so as to give steady employment (guaranteeing hours of work); or setting aside reserve funds by industry, with the possible aid of government subsidy, to pay normal wages for a stated number of hours a year (guaranteeing pay)." 15

The faults inherent to such a solution, in reference

to our immediate problem of gaining additional income for the family, are obvious. First, it would not give to the family any real additional income for its support, but would merely insure it so much income per year. This fact, therefore, will not necessarily aid in supporting a family. Another point to consider is that the single and the married employees would still be receiving equal wages and the differential in their standard of living would still remain. Another possible problem would be the occasion for laziness which would be afforded the worker, especially if his present income is lower than the proposed guaranteed annual income. For some of these men, the personal incentive for hard work might be destroyed when they know that they are assured at least a specific minimum wage, whether they exert themselves by hard work, or not. It is rather evident then, that this proposal would not directly add to the support necessary for a decent standard of family life.

Another possible solution, which is propounded by many Catholic forerunners, is to gain a universal family wage in the United States through increased production. This wage would be considered sufficient for a family. In part, this increased production would involve lower costs achieved by organization and mechanization. In the light of this general principle, we might examine various concrete methods used to bring about higher living standards.
The most common device for achieving higher standards of living is the obtaining of wage increases, usually through union negotiations. If higher pay is obtained without causing prices to rise, the worker's standard of living is thereby increased. Should prices be forced up proportionately, normally no real gain is achieved. Possibly the workers directly involved might gain at the expense of other consumers, but ordinarily inflationary wage demands are imitated elsewhere and no one benefits. Hence, it is a good general rule that wage gains should be sought only when they do not involve higher prices. In the past, unions have generally followed the rule of the thumb, getting occasional raises as profits increased.16

The above rule does not mean that there should be an exact correlation between productivity in a given industry or company and its wages. Some industries advance technically much more rapidly than others. If wages followed suit, great inequalities would result. Where technological progress is appreciable, it is better that prices drop thereby benefiting the entire community. Likewise, when a firm secures exceptional profits through good management, and its competitors' profits

are lower, workers should not base their claims upon the excep-
tional firm. This would lead to either unequal wage rates in
the industry, or disruption of the industry through excessive
demands upon less efficient employers.

Some exceptions might be noted to the principle
just explained. Thus, when an inflationary situation exists,
workers may usually demand increases so as to maintain a pre-
vious standard of living, even though this may bring the risk
of further price rises. This exception might not hold in
great emergencies, such as war, when it might be expected that
standards of living would decline. The same is true when
there are at a given time irremediable shortages. Thus, if
for some reason the supply of meat animals was quite low, it
would be foolish to demand higher wages so that the workers
could buy more meat. It usually takes about two years to
bring up the levels of herds and flocks, and no wage increases
can change that fact. Wage changes cannot bring about improve-
ment when shortages are physical and not easily remedied.
They may help when low supply is due to economic reasons and
the prospect of a better market will bring about necessary
adjustments.

17 Kyrk, Family in American Economy, 371.
A second case for wage increases, even at the expense of higher prices, would occur in industries or occupations where existing wages are badly substandard. In such cases, the higher prices would be acceptable, since the community should not receive cheap goods or services when this involves sweatshop work. At times, however, such advances might cause the market for the product to contract and thereby lead to unemployment in the industry. This is not necessarily bad, since it would bring about a better allocation of labor resources, directing these workers into fields where their labor produces more economic value and so gives them higher wages. Timing is important in these situations. If advances are sought at a time of prosperity and full employment, adjustments can be made more easily. When they are forced as business declines, workers may be laid off with no alternative employment available. But gradual changes will bring about a better balance between various prices and lead more workers into industries which can pay good wages. 18

While it is a general rule that wage increases should be non-inflationary, it is well that labor exerts a gradual but consistent pressure for higher standards. This

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forces business to increase efficiency and there by justify higher wages. In theory, higher wages should follow productivity increases. But moderate demands need not necessarily await proved cost declines, since experience shows that they will usually bring about the condition they presuppose. Gradual change is vital, since this permits adjustments without undue disruption of existing price relatives. In all this it is assumed that labor is doing its share and not indulging in limitation of output, feather-bedding, or similar restrictive practices. The economy loses when production is curtailed, whether this done by business or labor monopoly.19

It would be an idealistic solution then if family wages were sufficient for the average family, and could be paid by employers because of increased productivity and greater economic prosperity. But it still leaves us with several problems. First, it is an idealistic solution. Perhaps so ideal, that it will never be realized since it would require complete cooperation by all segments of both industry and labor, and this is certainly far from being true today or even in the near future. A second fault lies in the fact that it is an incomplete solution. The average family would probably receive an income sufficient for its needs; but we are still left with

the problem of families which are not average. For example a family of ten will still not be able to achieve the same or nearly the same as a family of five. It is evident that the family of ten is still going to need outside aid over and above its regular income, even though an ideal economic working condition exists.

This then leads us to a final and much more realistic solution which is in wide use today and can be adjusted to the specific needs of any economy. Namely an allowance, made to the family, of either money or kind, and regulated by the needs and size of the individual family.

The average worker in this country today still regards his wage as a means of meeting his current costs and his foreseeable future charges, plus a small amount for savings, security and the like. That is what he fought for when he got his present wage rate, whether through collective or through individual efforts; and that presumably, is what he will continue to fight for. It seems quite certain that organized labor would offer vigorous resistance to any family allowance scheme. This happened in almost every country in which the scheme was proposed. Organized labor has always seen a threat to their years of effort to raise wages in any scheme which contains a basic wage and added supplement. Labor has felt that, at the very least, it would become more difficult to get any further increases in wages if
an allowance or bonus scheme were operative. The resistance and the propaganda of organized labor is certain to be great.

If, through the means of education, the individual fathers of families become convinced as to the necessity of family allowances, the leaders of organized labor may find themselves in the same position as did the leaders of organized labor in France, Great Britain and Canada. After family allowances had been established for some time, the leaders found that the majority of the rank and file favored family allowances while they, the policy makers of organized labor, opposed the procedure. The same thing could happen in the United States.
CHAPTER III
PRACTICAL SOLUTIONS FOR FAMILY ALLOWANCES
IN FRANCE, GREAT BRITAIN
AND CANADA

A more practical understanding of family allowances may be had by examining plans which are in operation today, and the causes or foundations which led to and fostered their development. Each of three countries France, Great Britain, and Canada, has been chosen to be discussed for specific and varying reasons because each has individual characteristics and problems which make it unique and different, even though all the plans are based upon the same general principle of an allowance to the family.

FRANCE

Family allowances in France began with the personal initiative of many independent employers as well as governmental legislation.

The first family allowance appears to be a grant made by the Ministry of Marine in December of 1862 to sailors with dependent children. An allowance of ten centimes per day
for each child up to ten years of age was paid to all registered seamen with more than five years of service. From 1910 on, the same principle was extended to successive groups of civil servants. Before this, in 1897, the Ministry of Finance accorded financial aids to functionaries who were below a certain salary, giving them thirty to sixty francs per year for each child beyond the third.

One of the first non-compulsory programs was instituted by M. Emile Romanet, the manager of the Joya Works in Grenoble in 1916. This was a direct result of the hardships caused by the low standard of living during World War I. Upon investigation of the poverty stricken homes of the older workers with dependent families, the Joya Works granted a small allowance of six francs per month for each child under thirteen years. This was carried on by many other Metal Trades Employers in the industry, but in 1918 a wage struggle broke out and was finally settled by an arbitration commission which made the payment of allowances compulsory upon all employers in the industry.

This payment produced an undesirable situation which can be a major problem of an allowance plan; that is the employers thereafter had a tendency to hire single workers in order

to cut down on their payments for allowances. This was solved by making it compulsory that all employers pay a certain amount into a central allowance fund, the amount being dependent upon the total number of employees and not upon the number of married men in their employ. 23

The railroad companies of France also instituted private plans early, one of the first of these being the Nord and Paris-Orleans Companies plan which began in 1890 and was soon followed by other major railroads. At first these plans had rather stringent conditions for payment but in 1916 they were liberalized, and at the time the only major condition still imposed was that the worker enjoy a certain amount of seniority. In 1930 the last revision of the plan was made providing for birth premiums, allowances to both working and retired employees and increases in pensions in direct proportion to the number of children raised to eighteen years. 24

It was only natural then that the State develop an interest in family allowance legislation since many private industries were perpounding their own plans, as well as most of the various departments of the government.

In 1921 therefore a proposal was made in the French

23 Ibid., 55.
24 Callaghan, Family Allowance Procedure, 3.
Assembly but it was met with many objections and defeated mainly because of obstacles to the generalization of family allowances and the then existing feeling that allowances should be on a private voluntary basis. 25

Eleven years later, after public opinion had reversed its previous stand and with the additional experience gained during that time with private allowance plans, a family allowance proposal, made by M M. Poincare, Loucheur and Hennessy, was made law by the Assembly on March 11, 1932, in a modified form. 26

The essential proposition of this Act of 1932 was the provision that each employer had to join a compensation fund. An age of fourteen was set as the upper age limit. The fourteen year age limit could be extended to sixteen years if the child was an apprentice or physically or mentally unable to earn his own living. Allowances under the Act were to be paid either monthly or tri-monthly, by the employer or by the fund. The State was to pay two thirds of the costs of the administration arising from the payment of various premiums on the basis of the minimum rates set down by the law. 27

The 1932 law was put into effect gradually. Even as

26 Callaghan, Family Allowance Procedure, 8.
27 Ibid., 10.
late as the summer of 1939 domestic servants and agriculture workers were still outside the benefits of the law.

On July 29, 1939, the presidential decree by the President of the French Republic was promulgated, containing the new "Code Famille". This decree coordinated all the previous gains made regarding family allowances and indeed went further since it had as its aim, that no family should be excluded from the benefits of family allowances. 28

This "Family Code" provided family allowances not only for wage earners, but also for employers and independent income earners. The purpose of the code was to provide a foundation for social reform, the application of which, it was hoped, would bring about an increase in the countries birth rate, and in general to improve the material well being of the French family units to such an extent as to make the raising of large families possible.

The "Family Code" provided a lump sum premium of from 2000 to 3000 francs for the first child born to a family, under legitimate conditions, during the first two years of marriage. The purpose here was to avoid a sterile period at the start of the marriage. All workers and employers in agriculture, industry,

commerce, and the professions, with two or more children under the age of fourteen or under seventeen years if still going to school or apprenticing were declared eligible for the family allowance. 29

The code further provided that the allowance for the second child was to be ten per cent of the average salary common to the locality in which the family lived, and twenty per cent for the third and each subsequent child. Moreover an additional ten per cent was to be paid to the mother when the family depended upon a single income which was not paid during holidays or for other reasons. 30 All of these premiums were to be paid only once per child.

The variation in amount of allowance received by families in either an urban or rural habitat, was about one-sixth less for those living in the country. The reason for this difference was the additional income of kind which could either be grown or bought cheaper in a rural community. In addition to this, there was a further variation according to geographical location. There is again a difference between the allowance received by a family with one income source and that received by a family with more than one. 31

However the full impact of this allowance plan was


never immediately realized because of the occupation of France by Germany during World War II. At this time only men working in behalf of the German war effort were rewarded with an additional source of income to help support their families.

On October 3, 1944, the French Minister of Labor and Social Security ordered family allowance equalization funds to admit to their benefits all family heads denied the allowance aid during the war because they refused to work for the Germans and as a result had not received an allowance for some time.\(^\text{32}\)

Later in the fall of 1944, after general increases in wages had been effected, an order was issued for temporary larger family allowances to last for six months, but this was later extended to December 31, 1945. The increase in allowances amounted to eighty per cent for families having two or three children and fifty per cent for families having more than three children.\(^\text{33}\)

Another Act on August 22, 1948, made available more generous benefits. At this time the monetary source for the allowances was set up on a more impartial level. Employers were to bear the major expense of the subsidies to wage earners.


\(^{33}\) Ibid., 940
The allocations for independent income earners were to be paid from contributions made by themselves and by the government. Also under certain conditions some independents were exempt from contributing. All contributions were to be collected by the social-security funds which will eventually become responsible for the administration of same.34

Several characteristics of the French family allowance development should be noted in summary. It is a system which has seen an evolutionary change, from its first conception to its present developed form.

Experience gained under private initiative showed that certain techniques and developments were desirable. From the first law in 1932 and with each succeeding law or decree, some of the features which were found through experience to be unwanted were eliminated, and those found to be workable were enlarged upon. Thus the French family allowance system was evolved by a process of continuous change and cultivation based upon experience. The financial basis for the allowance is based upon the contributions of the employer, the employees and the state, although the employer is responsible for the majority of the contribution, with the employee contributing only under certain conditions and the state responsible for the administration of

34 Waggaman, "Family Allowances," 190.
the plan and also in some instances for a part of the monetary
donation as well. Another characteristic of the French plan is
that all of the allowances are paid in cash. They consider
lying-in hospitals, vacation camps, and milk for school children
as social services which are related to family allowances but
are not to be regarded as a part of the allowance system itself.

GREAT BRITAIN

The first trends toward family allowances in Great
Britain can be traced to three general sources: The Wesleyan
Methodist Church of England; the London School of Economics;
and the British Endowment Society.35

The first plan was that of the Methodist Church of
England. The main purpose of this plan was to prevent child-
less ministers from gaining any preference in obtaining their
respective positions. The amount of the allowance was based upon
the number of ministers in the various synods and circuits and
their estimated financial capacity. As a result of one hundred
and fifty years of study, therefore, the church, by 1945, was
paying $40 per year per child up to eighteen years of age, and
$60 per year for the last six years of their education.36

35 Ibid., 189.
36 Delaney, R. E., and F. I., "Family Allowances,"
America, July 20, 1946, 352.
In 1940 the London School of Economics began paying thirty pounds per annum for each child under thirteen years of age and sixty pounds per annum for each child between thirteen and twenty-three years receiving a full time education.\[37\]

At this time there were also several Industrial Establishment Plans in operation. The weekly allowance per child in these plans ranges from one shilling to as high as five shillings. The wage limit for receiving allowances also varies from five to four hundred pounds per month, depending upon the individual plan. One of these Industrial Plans gives five shillings per week regardless of the size of the father's salary.\[38\]

According to reports gathered in 1942, there were thirty-five of these industrial establishments paying family allowances. Two of these allowances were begun in 1917; the others between 1938 and 1942.\[39\]

The British Endowment Society, which has kept the principle of family allowances before the British people, had its inception in 1918. The society was composed of a small group of economists, and social reformers, one of the most noted of whom was Eleanor Rathbone, the author of "Equal Pay

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37 Waggaman, "Family Allowances In Various Countries," 272.
38 Ibid., 272.
39 Ibid., 269.
and the Family".

The endowment society proposed several principles which it felt should be used in setting up an allowance plan.

1. Family allowances should be common to all classes, not just the extreme poor.

2. The allowance should be paid to the mother, if at all possible.

3. The time period of payment should last the entire period of total dependence of the child.

4. Payment of the allowance was not to be considered as taking the place of various medical services provided by the State.

5. The amount paid to mothers and children was not to be enough to maintain them separately.  

Between 1930 and 1939 the position of the society for promulgating the principle of family allowances increased greatly, essentially because of three factors co-existant in England at this time. These were declining population, malnutrition suffered by many children, and maladjustment between wages and unemployment pay.  


41 Callaghan, Family Allowance Procedure, 112.
A milestone in the development of family allowances in England occurred in November, 1942, when the Beveridge Plan was submitted to the British Parliament. This plan was a result of a survey conducted by Sir William Beveridge, as requested by the Government regarding existing schemes of social insurance and allied services. Essentially the plan recommended, among other things, a children's allowance set at a rate of eight shillings per week per child, except for the first born and that this allowance program be financed entirely by taxation. 42 It was essentially this plan which ignited the chain reaction resulting in the British Allowance Act of 1945.

Also in 1942, another important contributing factor, was the reversal in the position by the British Trade Union Congress. After many years of opposition the Congress, through its general council, reversed its previous stand and agreed with the Labor Party that there was a need for a national scheme of child endowment, with the state responsible for its enactment and administration. 43

The culmination of all the aforementioned efforts resulted in the British Allowance Act of June 15, 1945. At the time it was estimated that 4,400,000 children would be

42 Waggaman, "Mid-War Developments," 988.
affected by the Act and that the cost would be about fifty-seven million pounds. In addition to the cash allowance, the children received more direct relief of kind, under the New Educational Act, consisting of milk and meals given free at school. This cost raised the total estimated amount to about sixty million pounds per annum. 44

The Act provides for an allowance to every family having two or more children, at the rate of five shillings per week for each child in the family, except the eldest. A "child" is defined as a person under the upper limit of the compulsory school age; or one over that age until August 1, next following his or her sixteenth birthday, if attending school or being apprenticed. Beneficiaries include the own child or children of a man and wife living together and other children being maintained by them; or the own child or children of a man or woman, not living together, and any children maintained by them. 45

There are also certain exclusions under the Act, which are the consequence of previous legislation. Children who are already receiving benefits under the Poor Law Act of 1930, or under the Widows', Orphans' and Old Age Contributory Pensions Act

44 Waggaman, "Developments in Allowances," 931.
45 Waggaman, "Family Allowances," 191.
of 1936 are not treated as being included in any family. However, adjustments are made in cases of children for whom equivalent grants are receivable under provisions for military families.\textsuperscript{46}

Allowances for the family of a man and his wife living together are receivable by either parent and such grants are inalienable. A penalty of three months imprisonment, or a fine not to exceed fifty pounds is provided for wrongfully obtaining or receiving allowance benefits. Any person violating or failing to comply with the regulations under the Act, "shall be liable on summary conviction to a fine not exceeding ten pounds."\textsuperscript{47}

The allowances under the Act are considered as taxable income, however the income-tax exemption of fifty pounds per child is still continued.

The British Family Allowance Act is the result of a slowly moving but continually developing social force. This force was fostered and expanded, mainly due to the efforts of the Family Endowment Society. It was not until the early years of World War II that the government took serious note of this force, and until the pressure of the Labor Party was exerted,

\textsuperscript{46} Waggaman, "Developments in Allowances," 933.

\textsuperscript{47} Ibid., 933.
no legislative action was taken.

CANADA

The character of family allowances in Canada is rather vague, until the early years of World War II, when it quickly gained predominance and strength. The reason for this incompleteness is given some light when it is realized that almost all of the groundwork for allowances was done by one man in one limited locale. The man was Reverend Leon Lebel, S. J., the Director of L'Union des Cultivateurs Catholiques, and the place was the Province of Quebec.

In a Select Standing Committee on Industrial and International Relations of the House of Commons hearing in 1929, Father Lebel appeared and spoke in behalf of family allowances in Canada. He argued that the only means by which a general wage increase could be effected in Canada, was if employers would place in common all the resources available for the remuneration of labor and then pay the wages of workers out of this fund. However, he readily admitted that this was not feasible in the near future, and so to help improve the welfare of many families, he proposed a system of family allowances, not to be considered as any part of the earned wage. The allowance was to be a remuneration for a service performed for the betterment of society as a whole, including the economic stability of employers,
who were being assured of a constant labor supply for the future. 47

Father Lebel further maintained, that the system should be set up on a voluntary basis, as in France before 1932, and as decentralized as possible, yet subject to federal supervision, 48

In 1936 provincial elections were held in the Province of Quebec and family allowances were a major campaign issue. Although the candidate declaring himself in favor of these allowances was defeated in the election, he had aroused so much interest in the topic, that it became a constant point of debate.

This interest resulted in a legal milestone in Canadian legislation, when the Quebec Legislature amended the Collective Agreement Act in 1943 providing that the parties concerned could add provisions for family allowances to the provisions of a collective agreement. These provisions might become binding upon all parties which would fall under the scope of a voluntary agreement. 49 No agreements made subsequent to this amendment ever contained any clause pertaining to family allowances, however, and this factor can be traced to one of two causes. No employer wanted to add to his operational cost unnecessarily,


48 Ibid., 168.

49 Callaghan, Family Allowance Procedure, 142.
thereby making it more difficult to meet his competitor's prices; and also due to the excess supply of labor, unions were in no position to demand allowances in addition to their wages.

Early in 1944 Canadian labor was split in its opinion of allowances to the family. The principle was opposed by the Canadian Trades and Labor Congress, and the Confederation des Travailleurs Catholiques. It was given the full support of the Canadian Federation of Labor. Despite labor's opposition, and also that by much of the public, the Canadian Family Allowance Act was passed by Parliament in August, 1944.

Benefits under the Act are paid out of unappropriated money in the Consolidated Revenue Fund every month according to the following scale, as per each child, up to four a family, resident in Canada and maintained wholly or substantially by the parent:

- Under six years of age: $5.00 per child
- Six and under ten years of age: $6.00 per child
- Ten and under thirteen years of age: $7.00 per child
- Thirteen and under sixteen years of age: $8.00 per child

For a fifth child maintained by the parent, the above rates of allowance are reduced by $1.00; for the sixth and seventh child by $2.00 each; and for the eighth and each sub-

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50 Ibid., 149
sequent by $3.00 each.\textsuperscript{51}

These allowances may be discontinued for any one of the following reasons: when the child reaches the age of sixteen; at any time, after the child reaches the age of six, when the child, though physically able to attend school, fails to do so, or fails to receive equivalent training under the provisions of the act; when the child dies or, is no longer a resident of Canada; or when a female child marries.\textsuperscript{52}

The allowance which is provided under the Act is not to taxation, nor to laws relating to bankruptcy or insolvency. The benefits cannot be assigned, charged, attached or anticipated or given as security. The reader, however, should not be disillusioned to thinking that there are no deductions what-so-ever. Actually, the deductions are made before the allowance is received by the family, according to its total taxable income.

\textbf{TABLE I}

\begin{center}
\begin{tabular}{|l|l|l|}
\hline
\textbf{Amount of taxable income} & \textbf{Percentage of family allowance to be cancelled by lessening the income tax deduction} \\
\hline
\end{tabular}
\end{center}


\textsuperscript{52} Hymenaeus, "Canada's Family Allowance Act, 1944," Monthly Labor Review, November, 1944, 996.
TABLE I (Continued)

Family Allowance Deduction Scale

<table>
<thead>
<tr>
<th>Amount of taxable income</th>
<th>Percentage of family allowance to be cancelled by lessening the income tax deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $1,200</td>
<td>0</td>
</tr>
<tr>
<td>Over $1,200, but not over $1,400</td>
<td>10</td>
</tr>
<tr>
<td>Over $1,400, but not over $1,600</td>
<td>20</td>
</tr>
<tr>
<td>Over $1,600, but not over $1,800</td>
<td>30</td>
</tr>
<tr>
<td>Over $1,800, but not over $2,000</td>
<td>40</td>
</tr>
<tr>
<td>Over $2,000, but not over $2,200</td>
<td>50</td>
</tr>
<tr>
<td>Over $2,200, but not over $2,400</td>
<td>60</td>
</tr>
<tr>
<td>Over $2,400, but not over $2,600</td>
<td>70</td>
</tr>
<tr>
<td>Over $2,600, but not over $2,800</td>
<td>80</td>
</tr>
<tr>
<td>Over $2,800, but not over $3,000</td>
<td>90</td>
</tr>
<tr>
<td>Over $3,000, or over</td>
<td>100</td>
</tr>
</tbody>
</table>

This Act has been so devised that it will be of assistance only families in the low income brackets as is shown in the above table. Only those families which have taxable income of $1,200 or under receive the full rate of allowance. For every $200 of taxable income ten per cent of the family allowance is cancelled by lessening the income tax deductions for child dependents. Those families with taxable incomes of $3,000 or over will find that their allowance is cancelled out by a complete cancellation of their income tax deductions for dependent children. Such a device is not found in either France or England.

The only adjustments to the above scale were made for members of the armed services and for single persons supporting children. At this point it should be mentioned that all allowances are paid to the mother. Also the allowances are not always made in cash payment, as with the eskimos and indians to whom payment of kind is made.

Persons who knowingly make false statements, orally or in writing, with the intention of influencing the payment of benefits under the Act, or who cash checks for allowances to which they are not entitled, or who are guilty of certain other offences under the Act, upon summary conviction are liable to imprisonment for a term of not over six months with or without hard labor, or a fine of not over $500, or both such a fine and such imprisonment. 54

The administration of the Act was the responsibility of the Minister of National Health and Welfare. This office and responsibility have since been split, making two separate Ministers, one of Health and the other of Welfare, responsible in joint administration. The Ministers are required to make annual reports on the expenditures and the administration of the Act. The necessary expenses for administration, other than

54 Hymenaeus, "Canada's Act, 1944," 997.
payment of benefits, are paid from appropriations made by Parliament.\textsuperscript{55}

The Department of Finance originally estimated that the cost per annum would be $250,000,000, of which about $55,000,000, would be re-recovered by the reduction of exemptions for child dependents under the Income Tax Act. The real cost is now running higher than the original estimate, with $320,000,000 in allowances paid in 1952 and an estimated $347,000,000 for 1954.\textsuperscript{56}

It is expected, however, that the allowances will add to the revenue of the country by bringing about a substantial expansion in production, which is being partially realized today, and employment which will be a factor in raising the national income.

Upon close investigation, the Act appears faulty in one major characteristic. This is the difficulties which would arise in administering the complicated technical form of the Act. These complications of form arise from the various amounts received according to both age and number of children in a family. With all factors considered though, the Canadian Act appears to be the most sincere attempt to solve the problem of the welfare of the children, and indirectly, perhaps the problem of the falling birth rate.

\textsuperscript{55} Ibid., 997.

CHAPTER IV

ACTION TO BE TAKEN BY THE

THE UNITED STATES

The need for family allowances should now be evident
to the reader, as well as the individual problems which have
been found peculiar to certain countries, in attempting to devise
a plan for family allowances. But what action should be taken
regarding this problem in the United States? Should we follow
in the footsteps of European Countries and Canada by enacting
appropriate legislation, or should we attempt to solve the
problem for the present by making adjustments to our schedule of
income tax deductions for dependent children, or are there other
means available to us that are yet untried?

Few people realize that the family allowance principle
is operating today in the United States in some of our public
school systems. Even a brief examination of the controversial
literature on teachers' salaries indicates that the equal pay
principle has tended to lead to proposals for family allowances
in the educational field. At the end of 1945, family allowances
were being paid in at least thirty-four public school systems and
wage differentials for married men in sixty-two such systems.57

The amount of allowance paid to teachers in 1945 varied from $50 to $300 per year if a man were married, and from $10 to $120 per year for each dependent child in the family.58 These allowances were subject to certain restrictions as directed by the individual systems. The surprising thing about these allowances is their rapid growth over the past few years against strong opposition, especially that of the National Educational Association.

The only other attempt for family allowances in the United States, was emergency legislation enacted early in World War II, to help compensate families who had men taken from their homes to serve their country. As a result, on June 25, 1942, a bill was made law providing allowances for the dependents of service men. There was no real opposition to the law, but it should be remembered that this was an emergency measure. The total cost for military family allowances up to April 30, 1945 amounted to $7,063,138,895.59

The interest which has been aroused in the family allowance principle, was demonstrated on April 6, 1945, when

58 Ibid., 244.
Bill S.837 was introduced in Congress; which provided among other things:

...the Chief of the Childrens Bureau is hereby authorized and directed to pay to the parents of each child born in the United States after the date of enactment of this act the sum of (a) $500 if such parents are the parents of one other child, (b) $750 if such parents are the parents of two other children and, (c) $1,000 if such parents are the parents of three or more children.60

Although this Bill never got much further than a Committee, it is still important since it shows that there is some congressional interest in the problem.

But what would be the feeling of employers and employees if an allowance plan were made law. Our limited experience up to the present time does not give us sufficient evidence to base a sound judgement on either acceptance or rejection. At present it is certain that organized labor would not feel differently about family allowances in the United States than it felt during the first years of the movement in France, England or Canada.

One great advantage does remain, however, from our experience with allowances to servicemen during the war. It was proposed on a national scale during normal time, the servicemen's allowances can always be pointed out as an example of an allowance scheme on a comparatively limited scale. From its successful administration the proponents of family allowances may

60 Waggaman, "Developments in Family Allowances," 948.
legitimately argue to the possibility that a family allowance scheme on a larger scale can be successfully administered.

Any family allowance plan which might be adopted in this country could not be identical with that existing in any European country, mainly because the child welfare problems which we may attempt to meet will not be identical with those found in any European country. It must also be remembered that the European plans have reached their present advanced state through a trial and error method, determined in the light of their own individual needs. This does not mean, however, that we can not learn by the mistakes made by others.

An example of this would be the early attempt by most countries to originally design their plans upon a voluntary basis. These attempts were usually met with immediate almost insurmountable obstacles, which resulted in the plans being made compulsory.

Income tax exemptions for dependent children are granted today in many countries. These exemptions are really indirect allowances, since the amount of the parent's wage which is exempted from taxation, could be used for the benefit of the children. However, practically all countries which have adopted family allowances with anything but token payments, have decided either to decrease or to abolish the exemption for child dependents. It is the author's contention that this is extremely
unfair, especially to the lower income groups. The partial
deletion or complete abolition of these exemptions, could
easily make living more difficult for a family, than was their
experience before receiving the allowance. The real effect of
income tax deductions upon the lower income families raises still
another point of question. How much do deductions aid low income
families? The answer is very little. If a man is earning $2,000
per annum and is trying to raise a family of five children, his
income tax is voided by the deductions allowed for his children.
This then amount to a small and insufficient addition to his
income, although it has been claimed by many opponents of family
allowances, to be the only possible solution to the problem in
the United States.

Another possible solution to the problem of allowances
would be dispersing the responsibility to a State, city or county
level. But markets for the products of industry, commerce, and
agriculture are not confined today to one centralized locale and
the result would be an unfair charge upon certain employers or
communities. Other difficulties would arise from differences in
procedure and enforcement. It would appear then that any type
of allowance plan in the United States would have to be on the
basis of federal jurisdiction or some type of federal supervision
over local, state or private administration.

The political possibility for passing a family allowance
plan will greatly depend upon the social and economic situation at the time of its proposal. We believe that a time of prosperity would make the introduction of such a plan much more difficult. Probably the easiest time would be during an economic recession, when wages would lag behind prices. This would not, however, be desirable time for the bill itself, since it would in all probability be designed as an emergency relief measure, proposed without complete preliminary studies. Such a bill might fail to accomplish the purpose for which it was designed, even though it had the backing of a distressed people.

At the present, those who would oppose any proposal for compulsory family allowances outnumber those who would favor such a proposal. Until the strength of these two social forces is approximately equal, or until the proponents have gained the ascendancy, no legislature would enact such a proposal.
CHAPTER V

SUMMARY AND CONCLUSION

The social and economic implications of family allowances are important because they are many. The allowance may be the means of providing adequate care for children who previously had been receiving inadequate food, clothing, medicine, recreation or education, all because of the imposing economic strain upon the family. Indirectly, allowances could release enough of the parent's income to make more children economically possible. It could also release enough of the parent's income so as to raise the standard of living of the whole family to a more desirable level. It should finally be remembered that a general improvement in family living should be reflected in better citizenship and a more sound community life.

The allowance plans in operation today in France, England and Canada, show the evidence of many years of accomplishment through a method of trial and error. This is shown in the change by these countries from voluntary to compulsory plans of allowances. Another characteristic which was found in each of the systems, was the primary spadework done by a small group of individuals, which eventually forced the issue of family allow-
ances before the public and then into legislation.

The adaptability of these aforementioned schemes would not necessarily be compatible to our own problem in the United States, mainly because of our differences in approach to the welfare problem. Even the further expansion of income tax deductions for dependent children would not completely solve the problem, although it could be of some help to the middle income class families.

A major step which still remains to be taken in the United States, is to convince the working man of the need for allowances and to thus force the leaders of organized labor to reverse their present position, and also raise their voices in support of the scheme. This accomplishment will depend upon an individual or a group of individuals, strongly raising their voices in behalf of this cause, as was the case in other countries.

It is the author's contention that this is the next step which is still left to be taken in the United States, before a family allowance plan can be brought before the American people, in the form of legislation.

Once this has been accomplished, the plan itself should follow several general patterns.

First, it should be of a compulsory nature. This is a lesson we have learned through the mistakes of others. Second, it should be designed upon a decentralized level, with federal
supervision. This would tend to minimize the notion of federal paternalism. Third, it should be closely correlated with our federal income tax laws, continuing or even enlarging upon present exemption standards. Fourth, the allowances themselves should be non-taxable. This would allow smaller allowances and fewer administration problems. Fifth, the monetary source of the allowances should be from taxation of industry and personal incomes. It should not be the responsibility of industry alone. Sixth, allowances should be made in cash.

It may be that in this country we are now taking our first steps toward the institution of family allowances, as is evidenced in the educational field. On the other hand it may be true that the United States will never actually have family allowances on any great scale. Much depends upon the leadership, abilities, and the number of those who attempt to create and control the social force for family allowances. In this country today, family allowances are a definite possibility, but they are not as yet a probability.
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