

WAGES AND EMPLOYMENT UNDER THE OLD-AGE INSURANCE PROGRAM

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Facts concerning wages and employment within the coverage of the Federal old-age insurance program have been awaited eagerly. These data will cast light on the scope and administration of old-age insurance and will be of material value in planning future administration. They will also be of value for the view they will provide, on a more comprehensive scale than has ever before been available, of economic factors in the lives of a very large share of the population and in the organization of American industry. Basic data were not available in advance to make it possible to estimate precisely the number of persons who would receive "wages" as defined in title II of the Social Security Act or the numbers of workers and employers taxable under title VIII. Operating data obtained up to the present time have provided a basis only for approximations of the coverage of the program. It is known, for example, that more than 40 million account numbers have been assigned under the system in response to workers' applications; but it is known also that account numbers have been issued to workers who have not been engaged in employment covered by the program and may never be so engaged.

Actual data on the numbers of workers and of employers affected currently by the plan, on the aggregate of wages involved, and on many other factors vital to administration, to actuarial estimates for the future, and to general economic analyses have had to await receipt of reports from employers. These reports of wages paid to employees covered by the program are made initially to the Bureau of Internal Revenue in connection with the tax payments required under the act and are then referred to the Social Security Board for use in conjunction with the maintenance of the wage records which will evidence the benefits for which workers qualify under the provisions of the act.

Data on wages and employment within the coverage of the program are now becoming available from employers' returns for the calendar year

1937. Figures given below are based on reports received by the Social Security Board for each of two 6-month reporting periods during that year. For each of these periods approximately 1.7 million employers made returns showing the total number of different employees who appeared on the pay roll at any time during the reporting period and the total amount of taxable wages paid. These returns were itemized by individual wage reports for each employee, showing his name and account number and the total amount of taxable wages paid to him. Tabulations of the information derived from the employers' returns for the first 6 months of 1937 include 35.7 million such wage items, aggregating \$14 billion; for the

Table 1.—Old-age insurance: Number of employer returns¹ and number and amount of employee wage items² received by the Social Security Board,³ by reporting periods, calendar year 1937

[000 omitted]

Item	Employer returns for the year January-December 1937		
	Total, 1937	For reporting period January-June 1937	For reporting period July-December 1937
Number of employer returns.....	3,388	1,658	1,730
Number of employee wage items reported ²	72,717	35,655	37,062
Amount of wage items reported ²	\$27,928,176	\$14,018,811	\$13,909,365

¹ Employer returns on Form 88-2 made to the Bureau of Internal Revenue in reporting information concerning taxable wages under title VIII of the Social Security Act and referred to the Social Security Board for use in maintenance of wage records.

² Each employee wage item represents the total amount of taxable wages paid to an individual by any 1 employer during a reporting period.

³ This tabulation includes data on 94.6 percent of the employer returns for 1937 received by the Bureau of Internal Revenue as of Aug. 20, 1938, and 96.3 percent of the wage items received by Social Security Board as of Aug. 25, 1938.

second, 37.1 million wage items, aggregating \$13.9 billion. Reports for both periods continue to reach the Bureau of Internal Revenue, and must be audited for tax purposes before being referred to the Board for recordkeeping purposes. Complete totals for 1937 are not yet available, but it is believed that subsequent data will not greatly modify those here presented, which relate to more than 94 percent of the employers from whom reports for 1937 had been received by the Bureau

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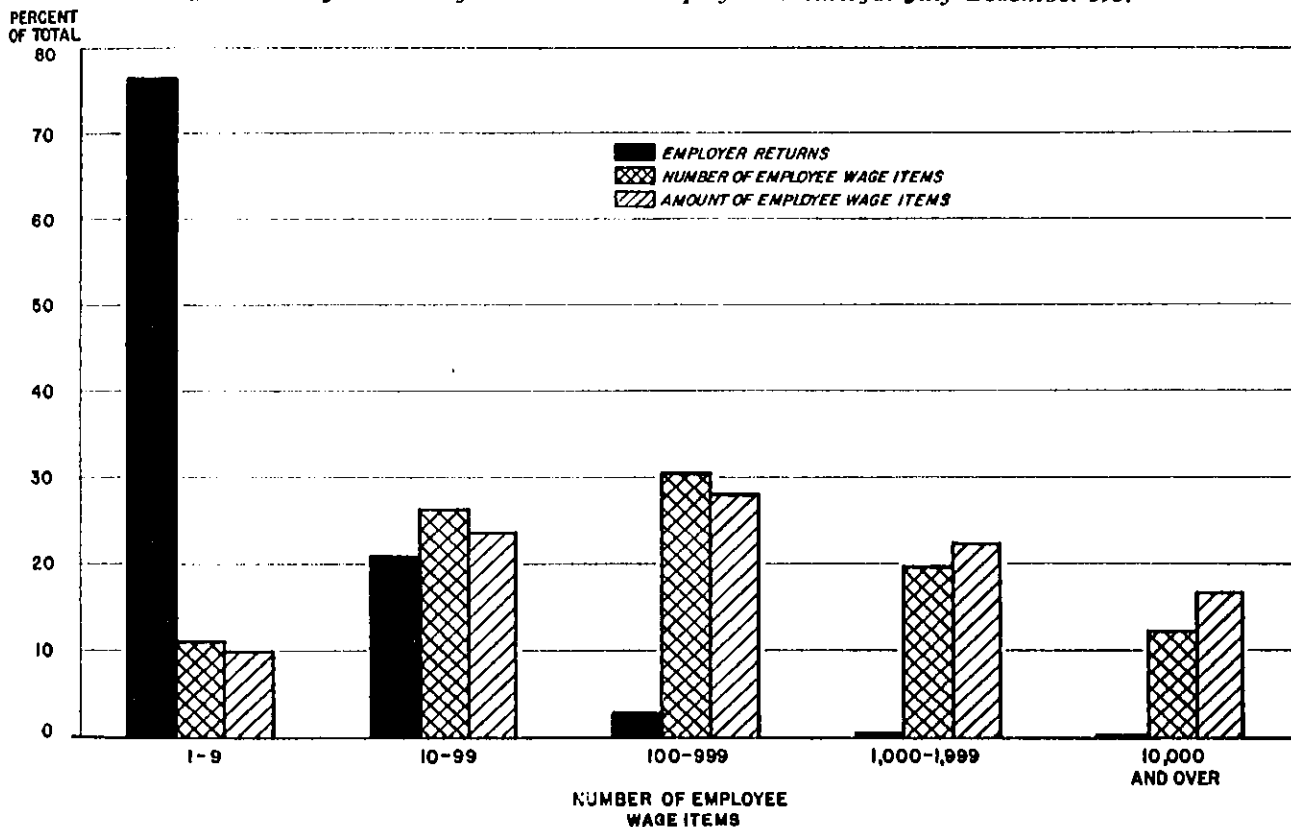
of Internal Revenue by August 20, 1938, and to about 96 percent of the total number of employee wage items received by the Social Security Board by August 25.

The number of different workers to whom these wage and salary payments were made during a reporting period cannot be obtained by counting the wage items listed on all employers' returns. Labor turn-over causes a certain amount of overlapping in the reports from different employers, since the name and account number of a person who was engaged by more than one concern during the 6-month period would have been listed on the return made by each of his employers. It is estimated that the 35.7 million wage items reported for the first 6 months of 1937 and the 37.1 million for the second 6 months represent wages received by about 32.5 million different persons, or approximately 60 percent of the country's

gainful workers. An unduplicated count of workers who received wages in covered employment in 1937 will be available later in tabulations of data from the wage records maintained by the Social Security Board, in which all amounts reported for an individual by all his employers are brought together in his individually numbered account.

These later tabulations will make available significant figures on wages and salaries. The total amounts received by individual workers during successive years will be essential for actuarial estimates as well as for computation of benefit payments. These totals may also give some indication of the proportion of these workers who have been engaged in regular or in more or less sporadic covered employment; the amounts reported for some workers for the 6-month period doubtless will be so low that it may be inferred that they were employed only occasionally under the coverage of

Chart I.—Old-age insurance: Distribution of number of employer returns¹ and number and amount of employee wage items² by number of such items on employer's return for July-December 1937



¹ Employer returns on Form 88-2 made to the Bureau of Internal Revenue to report information concerning taxable wages under title VIII of the Social Security Act, and referred to the Social Security Board for use in maintenance of wage records.

² Each employee wage item represents the total amount of taxable wages paid to an individual by any 1 employer during a reporting period.

the law. Unquestionably, there are considerable numbers of persons who ordinarily work in occupations excepted under the act, such as agriculture, domestic service in a private home, or self-employment, but who receive from time to time wages which are counted toward old-age benefits.

Because of these two unknown factors—the number of different individuals represented in the aggregate of wage payments and the varying amount of employment per individual during the period—the average amount of these employee

wage items has no significance. An attempt to use such an average as a statement of average wages and salaries would also be open to objection on the ground that payments in excess of \$3,000 received by an individual during a year from a single employer are not included in the aggregate of taxable wages.

It also is not possible to obtain directly from these returns data to indicate the distribution of covered employment, in terms either of workers or of wages, among the States and other jurisdictions

Table 2.—Old-age insurance: Number of employer returns,¹ and number and amount of employee wage items,² by number of such items on employer's return for July-December 1937, with total amounts of employee wage items for January-December 1937

Number of employee wage items on employer's return	July-December 1937							Amount of employee wage items January-December 1937 (000 omitted)
	Employer returns		Employee wage items					
	Number	Percent of total number	Number	Percent of total number	Amount (000 omitted)	Percent of total amount	Average amount per employer return	
Total.....	1,730,101	100.0	37,092,386	100.0	\$13,909,665	100.0	\$8,010	\$27,028,176
1-9.....	1,317,758	76.2	4,063,717	11.0	1,393,752	10.0	1,058	2,687,397
1.....	437,936	25.3	437,936	1.2	118,634	1.1	330	290,364
2.....	261,644	15.1	623,288	1.4	176,213	1.3	673	316,062
3.....	177,452	10.3	632,358	1.4	178,313	1.3	1,005	335,111
4.....	124,847	7.2	491,268	1.4	168,889	1.2	1,353	320,609
5.....	95,051	5.5	475,255	1.3	166,623	1.2	1,753	314,596
6.....	71,221	4.3	415,326	1.2	158,374	1.1	2,134	288,515
7.....	61,208	3.6	428,456	1.2	150,250	1.1	2,455	291,023
8.....	47,031	2.7	376,248	1.0	133,540	0.9	2,839	248,503
9.....	38,398	2.2	315,582	0.9	112,016	0.8	2,941	216,764
10-99.....	363,038	21.0	8,847,858	23.5	3,264,524	23.5	8,970	6,368,023
10-10.....	184,004	10.6	2,490,819	6.7	825,064	5.9	4,484	1,584,707
20-29.....	60,830	4.0	1,668,374	4.5	557,014	4.0	7,076	1,073,830
30-39.....	38,030	2.2	1,295,584	3.5	430,497	3.1	11,318	635,932
40-49.....	23,345	1.4	1,030,811	2.8	339,864	2.4	14,558	671,531
50-59.....	16,110	0.9	874,217	2.3	289,368	2.1	17,962	669,110
60-69.....	11,433	0.7	735,076	2.0	243,013	1.8	21,308	481,427
70-79.....	8,781	0.5	651,702	1.8	216,060	1.6	24,605	429,694
80-89.....	6,700	0.4	572,734	1.6	187,814	1.3	27,609	377,459
90-99.....	5,600	0.3	628,641	1.4	176,230	1.3	31,291	344,282
100-999.....	41,867	2.6	11,290,032	30.5	3,860,233	27.8	86,248	7,960,901
100-199.....	25,085	1.5	3,477,420	9.4	1,115,033	8.2	45,640	2,317,967
200-299.....	8,431	0.5	2,014,506	5.5	672,689	4.8	79,788	1,358,961
300-399.....	4,164	0.2	1,435,238	3.9	480,085	3.5	117,450	992,340
400-499.....	2,497	0.1	1,113,516	3.0	388,405	2.8	155,650	791,673
500-599.....	1,636	0.1	805,509	2.4	318,121	2.3	191,450	662,516
600-699.....	1,132	0.1	733,700	2.0	258,668	1.9	228,505	627,137
700-799.....	795	0.1	690,168	1.6	217,532	1.6	273,625	458,689
800-899.....	690	(?)	615,908	1.4	195,002	1.4	320,201	398,263
900-999.....	518	(?)	400,817	1.3	184,698	1.3	350,560	433,153
1,000-9,999.....	3,340	0.2	7,315,996	19.7	3,103,001	22.3	927,376	6,582,267
1,000-1,999.....	2,171	0.2	2,885,338	7.8	1,128,051	8.1	519,600	2,661,744
2,000-2,999.....	550	(?)	1,396,109	3.6	547,153	3.9	991,823	1,039,133
3,000-3,999.....	251	(?)	869,252	2.3	391,301	2.8	1,570,920	750,936
4,000-4,999.....	141	(?)	628,519	1.7	286,308	2.1	2,020,553	553,374
5,000-5,999.....	81	(?)	441,626	1.2	216,038	1.6	2,651,791	431,371
6,000-6,999.....	55	(?)	357,413	1.0	169,264	1.2	3,077,525	350,339
7,000-7,999.....	46	(?)	316,393	0.9	152,283	1.1	3,310,508	304,799
8,000-8,999.....	20	(?)	245,929	0.7	113,754	0.8	3,922,592	263,167
9,000-9,999.....	22	(?)	208,227	0.6	96,810	0.7	4,402,259	176,607
10,000 and over.....	195	(?)	4,667,893	12.3	2,279,155	16.4	11,687,073	4,329,372

¹ Employer returns on Form SS-2 made to the Bureau of Internal Revenue to report information concerning taxable wages under title VIII of the Social Security Act and referred to the Social Security Board for use in maintenance of wage records.

² Each employee wage item represents the total amount of taxable wages paid to an individual by any 1 employer during a reporting period.

³ Less than one-twentieth of 1 percent.

included under the Social Security Act. Returns made by business concerns with branches in a number of places ordinarily are filed at the internal revenue office in the district in which the head office of the firm is located. Thus, the State in which the tax payment was made is not necessarily that in which the employment occurred for which these wages and taxes were paid. A distribution of tax returns by the States in which they were received by the internal revenue district offices shows a high concentration in the large industrial States along the eastern seaboard and in other States where large corporations maintain headquarters for an organization which may extend into many other areas of the country.

From other records of the Board it may be possible, however, to make estimates of the distribution of wage and employment data to indicate the States in which these wage earners were working. Tabulations of this type and also tabulations indicating distribution of employers and employees by industries will be completed at a later date. Such information will make it possible to evaluate the extent to which the old-age insurance program is applicable to employment in the more and the less industrialized areas of the country, and will afford data of much interest in connection with more general industrial and economic analyses.

It is evident that the total amount of taxable wages reported—\$27.9 billion for the year—represents a large share of all wage and salary payments in the United States. It is estimated by the Department of Commerce¹ that total compensation of employees during 1937, including \$1.9 billion in work relief wages and \$0.9 billion in employers' contributions for old-age insurance and unemployment compensation under the social security program, was \$46.7 billion. This estimate, of course, includes wages and salaries from excepted occupations as well as from employment covered by provisions of the Social Security Act; moreover, the taxable wages reported to the Treasury and recorded by the Board do not include payments in excess of \$3,000 made by an employer to an employee within a calendar year. Allowance for the latter factor would increase the proportion

¹Nathan, Robert R. "National Income in 1937 Largest Since 1929." U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce, *Survey of Current Business*, Vol. 18, No. 6 (June 1938), p. 13. Total income paid out in 1937, including compensation of employees, dividends and interest, entrepreneurial withdrawals, and net rents and royalties, was estimated by Mr. Nathan to be \$69.3 billion.

of the total wage and salary payments received by covered employees to the total of all wage and salary payments in the United States. After the program has been in operation for several years,

Table 3.—Old-age insurance: Cumulative percentage distributions of number of employer returns¹ and number and amount of employee wage items,² by number of such items on employer's return for July-December 1937

Number of employee wage items on employer's return	Percent of total—		
	Number of employer returns	Number of employee wage items	Amount of employee wage items
1.....	25.3	1.2	1.1
2.....	40.4	2.0	2.4
3.....	50.7	4.0	3.7
4.....	57.0	5.4	4.9
5.....	63.4	6.7	6.1
6.....	67.7	7.9	7.2
7.....	71.3	9.1	8.3
8.....	74.0	10.1	9.2
9.....	76.2	11.0	10.0
10.....	80.8	17.7	16.9
20.....	90.8	22.2	19.9
30.....	93.0	25.7	23.0
40.....	94.4	28.5	25.4
50.....	95.3	30.8	27.5
60.....	96.0	32.8	29.3
70.....	96.5	34.0	30.9
80.....	96.6	36.1	32.2
90.....	97.2	37.5	33.5
100.....	98.7	40.9	41.7
200.....	99.2	52.4	46.5
300.....	99.4	60.3	50.0
400.....	99.5	69.3	62.8
500.....	99.6	61.7	55.1
600.....	99.7	63.7	57.0
700.....	99.8	65.3	58.6
800.....	99.8	66.7	60.0
900.....	99.8	68.0	61.3
1,000.....	100.0	75.8	69.4
2,000.....	100.0	70.4	73.3
3,000.....	100.0	81.7	76.1
4,000.....	100.0	83.4	78.2
5,000.....	100.0	84.0	79.8
6,000.....	100.0	85.0	81.0
7,000.....	100.0	86.5	82.1
8,000.....	100.0	87.2	82.9
9,000.....	100.0	87.7	83.6
10,000 and over.....	100.0	100.0	100.0

¹ Employer returns on Form SS-2 made to the Bureau of Internal Revenue to report information concerning taxable wages under title VIII of the Social Security Act, and referred to the Social Security Board for use in maintenance of wage records.

² Each employee wage item represents the total amount of taxable wages paid to an individual by any 1 employer during a reporting period.

figures for taxable wages for successive periods will constitute an important indicator of business trends and national income. Starting with 1938, these figures will be available from quarterly rather than semiannual tax returns.

The most striking conclusion to be drawn from the present data is the extent to which industrial and commercial employment and earnings are concentrated in large business concerns. Tables 2 and 3 indicate the distribution of the total number and amount of employee wage items according to the number of such items listed on employers' returns

for the second 6-month period in 1937.² As has been pointed out, the number of wage items on each employer return indicates the total number of individuals to whom taxable wages were paid at some time during this second 6 months, not the number of employees engaged at any one time or the number typically on the pay roll. In establishments where there is a large labor turn-over—in the construction industries, for example—the number of wage items listed by a concern for the 6-month period may be much larger than the number of employees at work on a typical day. In the groupings in tables 2 and 3, a concern which usually has relatively few employees on the pay roll but has a high labor turn-over may appear, therefore, in the same category as an establishment with a larger number of employees on the ordinary pay roll but little turn-over. This consideration, however, does not affect the general situation suggested by the tabulations.

It will be noted from table 3 that a fourth of the employer returns reported only one employee wage item for the whole 6-month period and that the total of these wage items constitute only 1.2 percent of the total number and 1.1 percent of the total amount of such items reported by all employers. At the other end of the scale are some 0.2 percent of the employer returns—listing 1,000 or more wage items—which account for nearly a third (32 percent) of all such items and for an even larger share (38.7 percent) of the aggregate amount of reported taxable wages. The largest concerns included in the tabulation—those listing 10,000 or more individual wage items for the period—represented less than one-twentieth of 1 percent of the reporting employers and included 12.3 percent of the total number and 16.4 percent of the total amount of the wage items. (See tables 2 and 3.)

The high concentration of employment and of earnings in a relatively small proportion of the concerns covered by the system, and the evidence of large numbers of employers whose workers and wages represent a relatively small share of those covered, are obviously of importance to the Board and to the Treasury Department in administering old-age insurance. It will also be of special significance in connection with the tax under

² Tables for the first 6 months, while somewhat less complete, show substantially the same distributions and therefore are not reproduced here.

title IX of the Social Security Act, which is levied on employers of eight or more during a specified period, and with administration of State unemployment compensation laws, where coverage, for purposes both of contributions and benefits, is governed by size-of-firm provisions. These tabulations cannot be used directly to measure the extent of reporting and other problems which confront State unemployment compensation administrators. They suggest, however, the differing problems in such administration which arise under a law, for example, which covers employers of eight or more and one which covers employers of one or more, and the relation of such a differential to a law's coverage of employment and pay rolls within that State. Employer reports for 1938 under the old-age insurance program will facilitate further analysis of covered employers by size of firm, since they will include an item for the number of employees on the pay roll for the pay-roll period nearest the end of each quarter.

In other than administrative terms, these figures suggest the circumstances in which the old-age insurance program has been established and is functioning. They show that there are still hundreds of thousands of small business concerns—the little shops and family firms which have played so important a part in the industrial and commercial development of the United States. Employers in such concerns still constitute the very large majority of all employers in the comprehensive area of business activity covered by the old-age insurance program. From the workers' standpoint, however, the picture is wholly different. It is evident that a large proportion of the wage earners for whom these reports were made were working in factories, mills, mines, stores, and offices where much or all of the old personal relationship between worker and employer had been supplanted by the impersonal relationships of modern large-scale industry and business. Old-age insurance is a big undertaking designed to cope with one of the problems which modern industrial development has accentuated. It represents a partnership into which workers and employers and Government have entered to ensure for millions of persons a greater degree of individual and social security than any of the three could effect alone.