

Insured Status Under Old-Age and Survivors Insurance

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TO QUALIFY for insurance benefits under the old-age and survivors insurance program, a worker must have earned a certain amount of wages in a specified period of time on jobs covered by the Social Security Act. In general, anyone can qualify for old-age benefits who is paid taxable wages of \$50 or more in a calendar quarter of a year, in at least half the quarter years between January 1, 1937, when the insurance system went into effect, and the quarter year in which he becomes 65 years of age; he also is insured if he acquires a total of 40 quarters of coverage.¹ If the worker dies, his children under 18 and his widow, if she has such children in her care, may also receive benefits if the worker earned \$50 or more in at least 6 out of the 12 quarters just preceding the quarter in which he died. Workers meeting the first of these two requirements for benefits are fully insured, while those meeting the second requirement are currently insured under old-age and survivors insurance.

The basic data for the following analysis are taken from a sample of 48,000 workers with taxable wages in one or more years during the period 1937-39. Necessarily the discussion is limited to these initial years of operation and may not, therefore, reflect conditions in the future.

Workers With Insured Status at the End of 1939

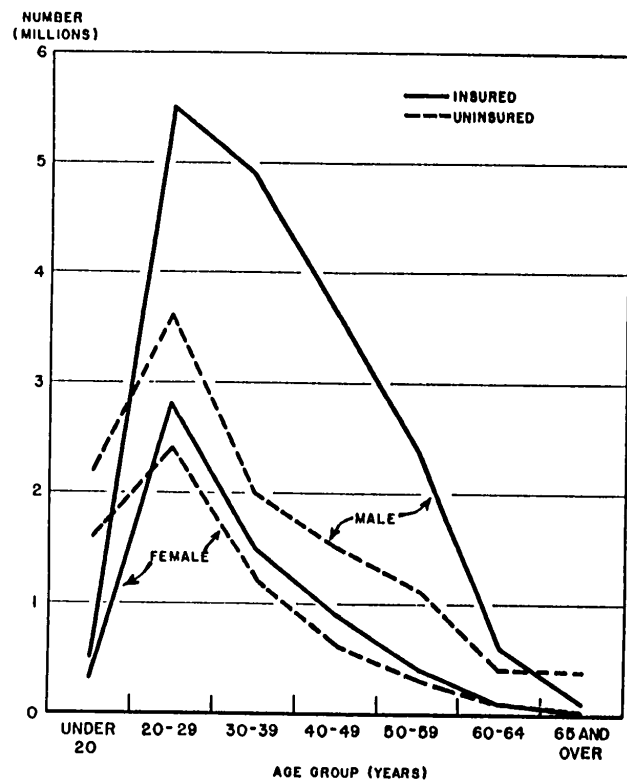
By the end of 1939, approximately 41 million persons had received some taxable wages under the old-age and survivors insurance program and of these about 23.5 million had acquired fully insured status; that is, they had received taxable wages of \$50 or more in at least 6 of the 12 calendar quarters in the period 1937-39 (see chart 1).

About 17.5 million, or nearly 75 percent, of the insured workers were men (tables 1 and 2). Nearly three-fifths of them had 12 quarters of coverage to their credit—the maximum number that could have been acquired by the end of 1939. They would therefore retain their fully insured

status throughout the 3 years following 1939 even if they received no additional wages. The insured men with fewer than 12 quarters of coverage at the end of 1939 could have retained their insured status for shorter periods than those who had 12 quarters of coverage, depending on the number of quarters of coverage they had to their credit.

About 6 million, or approximately 25 percent, of the insured workers were women, of whom about half had 12 quarters of coverage. Almost half of the insured women were concentrated in the age group 20-29 years, whereas this age group represented only about a quarter of all insured men. In the future, a considerable number of

Chart 1.—Old-age and survivors insurance: Estimated number of workers with insured status and without insured status by the end of 1939, by age group and sex¹



¹ See table 1, footnote 1. Workers with 6 or more quarters of coverage had acquired insured status; workers with some wage credits but with less than 6 quarters of coverage were not insured.

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¹ A calendar quarter in which taxable wages of \$50 or more are paid to an individual is a "quarter of coverage."

Table 1.—Old-age and survivors insurance: Estimated number and percentage distribution of workers with 6 or more quarters of coverage by the end of 1939, by age group and sex¹
[In millions]

Age group (years) ²	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
All ages.....	23.5	100	17.5	100	6.0	100
Under 20.....	.8	3	.5	3	.3	5
20-29.....	8.3	36	5.5	31	2.8	46
30-39.....	6.4	27	4.9	28	1.5	25
40-49.....	4.5	19	3.6	21	.9	15
50-59.....	2.7	12	2.3	13	.4	7
60-64.....	.7	3	.6	3	.1	2
65 and over.....	.1	(³)	.1	1	(⁴)	(⁴)

¹ Based on sample of 48,000 workers with wage credits at some time during 1937-39.

² Age computed by subtracting year of birth from 1938.

³ Less than 0.5 percent.

⁴ Less than 50,000.

these insured women will undoubtedly retire from covered employment because of marriage and will at some time thereafter lose their insured status because of an extended period of nonemployment. However, since many women become entitled to benefits through their husbands' participation in the program, maintaining insured status is not in general so important for women as for men.

Persons Without Insured Status

Approximately 17.4 million persons who had some wage credits during 1937-39 had not accumulated the 6 quarters of coverage necessary for insured status by the end of 1939 (tables 3 and 4). Since, in general, an individual need receive wages of only \$50 a quarter in order to have such quarter credited as a quarter of coverage, and need have only 1 quarter of coverage for each of 2 quarters elapsing, the failure to acquire insured status must be due either to extremely low wage rates or to short duration of covered employment.

Low wage rates.—Wage rates as low as 10 cents an hour received regularly on the basis of a 40-hour week, or as low as 20 cents an hour received on a half-time basis, will satisfy the minimum requirement of \$50 a quarter. Data collected by the Bureau of Labor Statistics indicate that wage rates in industry and commerce are generally higher than 10 cents or even 20 cents an hour, especially since the adoption of wage and hour legislation. Moreover, an estimate based on the wage records of the Bureau of Old-Age and Survivors Insurance shows that during the period 1937-39 the workers with wage credits in covered employment earned

at least \$50 a quarter in more than 90 percent of all quarters in which they received taxable wages.¹ Low wage rates were, therefore, a relatively unimportant cause of failure to acquire insured status.

Short duration of covered employment.—The principal reason for failure to acquire insured status was short duration of covered employment. Practically none of the uninsured workers had received wages in all 12 quarters, and only about one-fourth had received some wages in as many as 6 quarters in the period 1937-39. The remaining three-fourths—those who worked in covered employment in 5 or fewer quarters—could not have obtained insured status even with high wage rates and full-time employment in the quarters in which they did work.

Composition of the Uninsured Group

On the basis of their employment experience and their relationship to the old-age and survivors insurance program, the uninsured individuals may be classified in the following groups:

Young workers.—About 4 million, or nearly a fourth of the uninsured persons, were under 20 years of age in 1938. Since about four-fifths of them had acquired not more than 2 quarters of coverage during 1937-39, it is probable that many had only occasional part-time or summer-vacation work in covered industry and hence should not be considered regular members of the covered labor force. Moreover, many were apparently "new" workers; about two-fifths of the 4 million received their first taxable wages in 1939 (table 5). These

¹ Caskey, Wayne F., "Workers With Annual Taxable Wages of Less Than \$200 in 1937-39," *Social Security Bulletin*, Vol. 4, No. 10 (October 1941), pp. 17-24.

Table 2.—Old-age and survivors insurance: Estimated number and percentage distribution of workers with 6 or more quarters of coverage by the end of 1939, by number of quarters of coverage and by sex¹
[In millions]

Number of quarters of coverage	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
Total.....	23.5	100	17.5	100	6.0	100
0.....	1.5	6	1.0	6	.5	9
1.....	1.3	6	.9	6	.4	7
2.....	1.6	7	1.1	6	.5	8
3.....	1.5	7	1.1	6	.4	7
4.....	2.2	9	1.6	9	.6	10
5.....	2.4	10	1.7	10	.7	12
6.....	13.0	55	10.1	58	2.9	47

¹ See table 1, footnote 1.

Table 3.—Old-age and survivors insurance: Estimated number and percentage distribution of workers with some wage credits but with less than 6 quarters of coverage by the end of 1939, by age group and sex ¹

[In millions]

Age group (years) ²	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
All ages.....	17.4	100	11.2	100	6.2	100
Under 20.....	3.8	22	2.2	20	1.0	20
20-29.....	0.0	34	3.0	32	2.4	39
30-39.....	3.2	18	2.0	17	1.2	18
40-49.....	2.1	12	1.5	13	.0	10
50-59.....	1.4	8	1.1	10	.3	5
60-64.....	.5	3	.4	4	.1	2
65 and over.....	.4	3	.4	4	(³)	(³)

¹ See table 1, footnote 1.
² Age computed by subtracting year of birth from 1938.
³ Less than 50,000.
⁴ Less than 0.5 percent.

workers could not have acquired more than 4 quarters of coverage during the year and therefore could not possibly have had insured status by the end of 1939. Moreover, insured status is relatively unimportant to persons under 20 years of age, because they rarely have dependents who could qualify for survivors' benefits, and because many or most will have opportunities to acquire insured status in subsequent years.

Workers over 65 years of age.—About one-half million, or 3 percent, of the uninsured individuals were over 65 years of age in 1938. Before 1939 the Social Security Act excluded employment of workers aged 65 and over. Consequently, most of the uninsured persons over 65 years of age could not have acquired more than 4 quarters of coverage by the end of 1939, 2 less than the necessary minimum. It is probable, however, that many of these aged persons have acquired insured status since 1939 or will acquire it, for they will never need more than 6 quarters of coverage for that purpose.

Women workers.—There were about 13.2 million individuals in the age group 20-64 who had less than 6 quarters of coverage at the end of 1939, and of these about 4.6 million were women. Nearly half of these women received wage credits in only one of the years 1937-39, and more than a third did not acquire even a single quarter of coverage. It is apparent that these women worked only part-time or casually, probably in many cases only as a supplement to their regular housekeeping duties. Furthermore, over a million women in this age

group received wages in 1937 and did not return to covered employment in 1938 or 1939. Another million received wages in both 1937 and 1938, or in 1938 only, but did not return in 1939. It seems likely, therefore, that many of the uninsured women withdrew voluntarily from covered employment, probably because of marriage.

Men workers 20-64 years of age.—About 8.6 million men aged 20-64 years did not have insured status at the end of 1939. One would expect that most men in this age group would be regular members of the labor force and, as such, if they were regularly attached to covered industry they should have been able to acquire insured status. However, the reasons for the failure of these individuals to acquire insured status are revealed by an analysis of their experience in covered employment.

Persons withdrawn from covered employment.—About 2 million received wage credits in 1937 but none in 1938 or 1939. Another 2 million received wage credits in 1938 or in both 1937 and 1938 but none in 1939. It seems likely that many of these workers withdrew from covered employment, either voluntarily or involuntarily, because they were unable to find jobs in covered employment, took noncovered work, died, retired, or became disabled. About 750,000 received wage credits in 1937 and 1939 but not in 1938. Since a business recession started late in 1937 and continued through the greater part of 1938, these persons may have failed to acquire insured status because of involuntary unemployment. It is quite possible that a considerable number of them have returned to covered employment since 1939, particularly in view of the increased job oppor-

Table 4.—Old-age and survivors insurance: Estimated number and percentage distribution of workers with some wage credits but with less than 6 quarters of coverage by the end of 1939, by number of quarters of coverage and by sex ¹

[In millions]

Number of quarters of coverage	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
Total.....	17.4	100	11.2	100	6.2	100
None.....	5.0	32	3.4	30	2.2	35
1.....	3.3	19	2.1	19	1.2	20
2.....	2.8	16	1.8	16	1.0	16
3.....	1.8	10	1.2	11	.6	10
4.....	2.2	13	1.6	14	.6	10
5.....	1.7	10	1.1	10	.6	9

¹ See table 1, footnote 1.

tunities resulting from defense production, and have acquired or will later acquire insured status. Others may have died, become totally disabled, or remained in noncovered jobs.

Late entrants into covered employment:—In addition to the young workers entering covered employment for the first time, there were about 1.5 million men between 20 and 64 years who first entered covered employment in 1939 and who could not possibly have acquired insured status by the end of 1939. Approximately 800,000 others received wage credits in 1938 and 1939, and many of them probably entered covered employment too late in 1938 to acquire the 6 quarters of coverage required for insured status by the end of 1939. Many, however, may subsequently participate in covered employment for a period sufficiently long to permit them to acquire insured status.

Casual and intermittent workers:—Inasmuch as about three-fourths of the uninsured men 20-64 years of age acquired fewer than 4 quarters of coverage during the period 1937-39, it seems likely that a number of them had only casual or intermittent covered employment. Certain manufacturing industries, as well as construction and general contracting, employ workers for short periods at the height of the season. Workers who take odd jobs during a holiday period or a seasonal peak cannot be considered regular members of the covered labor force. However, even some workers who acquire only occasional quarters of coverage may ultimately become insured and eligible for benefits by accumulating the 40 quarters of coverage required for permanently insured status, or enough quarters of coverage to equal half the number of quarters elapsing before death or attainment of age 65.

Persons regularly dividing employment between covered and noncovered occupations:—It is probable that a substantial proportion of the uninsured men were primarily engaged in noncovered jobs but supplemented their earnings with wages from covered employment. A sample study indicated that about 800,000 agricultural workers found some covered employment during 1937-39, presumably during the slack farming season.³ How-

³ See Sailer, Fred; Quinn, Walter; and Fitzgerald, Edward J., "The Agricultural Wage Worker in Employment Covered by Federal Old-Age and Survivors Insurance," *Social Security Bulletin*, Vol. 4, No. 7 (July 1941), pp. 11-14.

Table 5.—Old-age and survivors insurance: Estimated number and percentage distribution of workers with some wage credits but with less than 6 quarters of coverage by the end of 1939, by year in which taxable wages were paid and by age group¹

Year in which taxable wages were paid	Age group ²			
	All ages	Under 20	20-64	65 and over
Total (in millions).....	17.4	3.8	13.2	.4
	Percentage distribution			
Total.....	100	100	100	100
1937 only.....	22	7	27	12
1938 only.....	7	7	7	(³)
1939 only.....	25	42	19	73
2 out of the 3 years, 1937-39.....	31	30	31	13
All 3 years, 1937-39.....	15	14	16	2

¹ See table 1, footnote 1.

² Age computed by subtracting year of birth from 1938.

³ Less than 0.5 percent.

ever, the earnings of these farm workers in covered employment were very low—less than \$200 a year on the average. Consequently, 85 to 90 percent of these persons had not acquired insured status by the end of 1939. Preliminary results of another study indicated that about 650,000⁴ persons who had earnings in employment covered by the Railroad Retirement Act at some time during 1937-39 also had earned some wage credits in covered employment but that a considerable percentage of these had less than 6 quarters of coverage by the end of 1939.⁵

Undoubtedly, many other workers regularly engaged in other noncovered occupations—school teachers and proprietors of small businesses, for example—also found some covered employment but because of its short duration did not acquire insured status. It is reasonable to assume that such workers, whose main livelihood is usually derived from noncovered employment, constituted a substantial proportion of the workers who had some wage credits but not insured status by the end of 1939. Hence, if coverage were extended to the types of employment now excluded, the protection afforded by insured status would be given to many workers whose earnings are now divided between covered and noncovered employment.

⁴ See Railroad Retirement Board, *The Monthly Review*, Vol. 2, No. 4 (April 1941).

⁵ Preliminary indications from the unpublished study on dual coverage made by the Joint Committee of the Railroad Retirement Board and the Bureau of Old-Age and Survivors Insurance, Social Security Board.

Summary and Conclusion

An analysis of the sample of wage records of all persons who had some wage credits during the first 3 years of operation of the program indicates that more than 23.5 million individuals had acquired insured status by the end of 1939. With regard to the remaining 17.4 million individuals, insufficient duration of covered employment rather than low wage rates appeared to be the principal reason for failure to acquire insured status by that time.

The wage data suggest that, of those who had not gained insured status, very few could be considered regular members of the labor force in covered industry. This group comprises persons primarily employed in noncovered occupations, students working only during vacations, housewives who engage only occasionally in supplementary employment, young women who work only for short periods before marriage, and casual and intermittent workers.

Another large group of persons who had not yet acquired insured status consisted of individuals who could not possibly have become insured by the end of 1939—the very young, the very old, and persons who first entered covered employment in the latter part of 1938 or in 1939. Among the

new entrants to covered employment, many will undoubtedly acquire insured status in subsequent years.

Finally, there was a considerable group which presumably had not gained insured status because of unemployment or disability. Many persons in this group may reasonably be expected to become insured at a later date.

Nevertheless, the fact that for one reason or another such a large proportion of all individuals with wage credits had not acquired insured status by the end of 1939 has serious implications for the success of the Federal insurance program. While the experience of the first 3 years is by no means definitive and any forecast must be made with caution, the analysis indicates that, at least in the near future, some substantial number of contributors will receive no protection from the insurance system as now constituted against the hazards of wage loss by reason of old age or death. In view of the fact that many workers shift into and out of covered employment, there is strong need of extending the coverage under the present system, in order to afford more adequate protection to workers who have contributed in the past as well as to workers who now have no opportunity to participate in the insurance program.