After Fifteen Years: A Report on Old-Age and Survivors Insurance

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The 15 years since the old-age and survivors insurance system began operations have demonstrated that social insurance can be successfully applied to meet American needs for protection against the economic risks of death and old-age retirement in modern life. Belief by Congress in the soundness of social insurance was strikingly reaffirmed in the enactment, by nearly unanimous vote, of the 1950 amendments to the Social Security Act. Mainly as a result of these amendments, old-age and survivors insurance is now more nearly equipped to do the job it was meant to do, and is, in fact, beginning to do on a larger scale. At the end of 15 years of operations, old-age and survivors insurance has emerged as an important institution in American life.

AT THE end of 1951, about 4.4 million persons[1] were receiving monthly benefits under old-age and survivors insurance. In this fifteenth year of the program's operations, total benefits paid out amounted to $1.9 billion. Of the total number of beneficiaries on the rolls, 3.3 million were aged 65 or over; 2.3 million were drawing benefits as retired workers, 600,000 as wives of retired workers, and 400,000 as widows, widowers, or parents of deceased workers. At the end of 1951, the aged beneficiaries represented more than one-third of the 8.7 million persons in the aged population who were no longer receiving support from earnings. During the year the number of old-age beneficiaries exceeded for the first time the number of old-age assistance recipients.

At the same time, old-age and survivors insurance was helping to meet the problem of income maintenance for widows and orphans who could not count on current earnings for support. In December 1951 there were about 2 million paternal orphans under age 18 in the United States and about 800,000 widows caring for young children. Of these, about a half million were working. Of the remaining 2.3 million, 1.0 million or approximately 45 percent were receiving monthly survivor benefits under the insurance program. In addition, 70,000 children under age 18 of old-age beneficiaries were also receiving benefits.

The potential benefit protection for the future that people are building for themselves and their families when they have employment under the insurance system is, of course, much greater than can be measured by the benefits now being paid out under the program. At the beginning of 1952, there were an estimated 85 million living persons who had worked at jobs within the coverage of the system at some time since January 1937. Sixty-two million of them were insured, and of these, 23 million were permanently insured—that is, retirement benefits at age 65 or survivor benefits in case of death could be paid on their records even if they had no more work in covered employment. The remaining 39 million were insured for survivor benefits for at least a limited period of time but would have to have additional covered work in order to make their insured status permanent.

In terms of life insurance protection, the total face value of survivorship benefits underwritten by the system at the start of 1952 is estimated at about $200 billion. By the middle of 1952, when the new method of computing a worker's average monthly wage becomes effective, this protection will be more than $240 billion. Of the mothers and children in the United States, 3 out of every 4 may receive monthly survivor benefits if the breadwinner should die.

As of December 1951, about 46 million persons were engaged in work covered by the insurance program, representing about 77 percent of all workers in civilian paid employment in the continental United States. An additional 9 percent were covered by other public retirement systems—systems for Federal civilian employees, State and local government employees, and railroad employees.[2] Only about 14 percent of the Nation's paid civilian workers have no coverage under any public retirement system; these are mainly farmers, self-employed professional people, and farm and domestic employees who are not working regularly for one employer. Fifteen years ago only a few workers had the protection of any sort of organized pension plan—probably less than 10 percent of the labor force. Today we are approaching universal coverage for this risk.

Monthly benefits under old-age and survivors insurance, while modest in amount, are an important source of income to beneficiary families. In December 1951 the average benefit for a retired worker with no dependents receiving benefits was $40.50. When the worker and his wife both received benefits, the average for the family was $70.00. The benefit for an aged widow was $36.00. Families made up of a widowed mother and 2 children received, on the average, about $91.00. For most of the people who will come on the rolls after the new benefit

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[1] Year-end statistics in this report are based on preliminary estimates.

[2] Under the 1951 amendments to the Railroad Retirement Act, the earnings from railroad employment of any employee who retires or dies with less than 10 years' railroad service are credited under old-age and survivors insurance.

formula provided by the 1950 amendments becomes effective, benefits will be higher than those payable to people now on the rolls. In the fiscal year 1953, for example, benefits awarded to a retired worker and wife aged 65 or over are expected to average close to $95 a month; for a single worker, $60.

That old-age and survivors insurance is furnishing social insurance protection on an expanded and improved scale today is, in the last analysis, a matter not only of legislation but also administration—of ability to deliver what the law promises. As Karl de Schweinitz has put it: "Laws and the rights and equities they establish are not self-operative. They exist only if they are administratively maintained." [3] The administration of a program is the test of whether it exists at all.

The chief administrative problem peculiar to old-age and survivors insurance arises from the need to combine large-scale account-keeping and claims-payment operations and impartial administration of the law with sympathetic and friendly service to the individual. Dealings with claimants are often at periods that are for them times of acute personal distress and major personal readjustments—times when they are least able to deal with impersonality and bigness. For them the relationship with the field office interviewer often represents their entire contact with the program, but back of this field office employee stands an effective Nation-wide organization designed to meet the need for personal service to each individual.

In the fiscal year ending June 30, 1952, the Bureau of Old-Age and Survivors Insurance expects to record approximately 225 million reports of earnings to the appropriate social security accounts of more than 85 million individuals; to process slightly more than 1.5 million claims for benefits; to authorize regular monthly payments to 4.5–5.0 million beneficiaries; and to make more than 3.1 million changes in the beneficiary rolls (changes of address, suspensions or terminations of benefits, and so on).

This job is being performed in 1952 by a staff (including those in Alaska, Hawaii and Puerto Rico) of about 14,000 employees located in six area offices, the central administrative offices and accounting establishment in Baltimore, 510 field offices, 2,859 itinerant stations, and 90 detached official stations.

Although the administrative task is one of considerable magnitude, the total administrative costs, including those of the Bureau of Internal Revenue attributable to the program, represent only 2.4 percent of the estimated contributions to be collected in 1952 and 4.5 percent of expected claims payments.

The table presented on page 13 shows the growth of the workload to this point and gives other operational data.

How did the Bureau arrive at its present administrative arrangements? What are the problems with which it has grappled over the last 15 years? What has been learned from its successes and failures over this period?

The operating history of the Bureau can be divided conveniently into six periods, each with its own distinctive problems and accomplishments.

Laying the Groundwork (1935–36)

The Social Security Act of 1935 broke new ground administratively, in addition to setting up new programs. No organization or procedures existed to do the job outlined in title II of the act, and there were no sure precedents for action. From the very beginning it was recognized that the magnitude and newness of the administrative job presented a major challenge. Opposition on the part of some who felt that the program would not be administratively feasible and that it would be too costly underlined this challenge.

Since old-age benefits were to be based on individual wages, the first job was to establish a system for maintaining a record of the wages each worker received in employment under the program. Specifications for machines and equipment that could perform this unprecedented task were submitted to all the leading manufacturers. All these proposals were carefully analyzed and evaluated, and a system involving the use of punchcard accounting equipment was accepted as the most practical and economical.

The Post Office Department agreed to perform the tremendous task of registering the millions of employees and employers to whom account numbers and identification numbers would have to be assigned at the outset. Services to employers and employees were provided by approximately 45,000 local post offices throughout the country. The Bureau of Old-Age and Survivors Insurance, which had no large field organization at the time, planned thereafter to carry the continuing task of assigning new account numbers.

It was recognized from the start that administration would have to be considerably decentralized. After careful studies, a plan of field organization was outlined that provided for the establishment of approximately 400 field offices throughout the Nation. By December 1936, the location of more than 100 of these offices had been announced and 71 were already in operation.

The need for an active public information program was also recognized at an early date. The first annual report of the Social Security Board said, "Sound research and able administration will be of little avail unless those who are vitally affected by the Act understand their rights, duties, and obligations under it." With the close cooperation of the Bureau of Internal Revenue, special efforts were made to reach employers and employees through trade and labor, civic, veterans, and educational organizations.

In the meantime, the central organization was being planned in Washington to establish and maintain wage records and to adjudicate the claims for lump-sum benefits that would begin to come in early in 1937. Because space could not be found in Washington, the record-keeping operations were located in the Candler Building in Baltimore. Towards the end of 1936, the Bureau started to recruit and train the necessary staff in Baltimore, where 2,400 persons entered on duty in November and December 1936 and began the work of establishing the records resulting from the initial registration.

The Social Security Board was the first agency of its size to start its operations with almost all its employees appointed under the classified civil service; it could thus, from the

[3] *People and Process in Social Security*, American Council on Education, Washington, D. C., 1948, p. 76.

beginning, plan for a career service for its personnel. Because of employment conditions at that time, the Board gave special consideration to and was fortunate in recruiting men and women who were not only fully qualified to perform their current duties but who possessed potentialities for more responsible tasks. To promote the efficiency of the staff and to give them the necessary background for further career service, a comprehensive training and staff development program was inaugurated.

By the end of 1936, the administrative groundwork had been laid, mass registration completed, staff recruited and trained, basic procedures and organization developed, and operations initiated for the tremendous task of administering the Federal old-age benefit program.

Getting Into Operation (1937–39)

The task of establishing initial employee accounts and employer identification numbers was completed by the end of June 1937. As of that date, the Bureau had received approximately 30.3 million applications for social security account numbers and about 2.5 million applications for employer identification numbers. Staff and equipment were available to handle employers' wage reports as they were received from the collectors of internal revenue. Inevitably, in a new program of this size, there were false starts and adjustments. Much of the story of the first 2 or 3 years can be told in terms of the readjustments arising from actual experience with the new operations.

One of the first major changes made was in the type of wage report prepared by employers. For the calendar year 1937, the wage reports were on a semiannual basis. These reports consisted of an individual slip for each employee wage item and a covering summary slip on which the employer indicated the total wages and total number of employees covered by his report and the amount of social security tax payable. It soon became evident that the slips were costly to handle, control, file, and refer to. Before the first period's reports were completely processed, the Bureau of Old-Age and Survivors Insurance was already working with the Bureau of Internal Revenue on a system of quarterly list reporting that became effective with the first quarter of 1938 and is still being used.

Another early problem was whether the wage records should be maintained on a centralized or decentralized basis. In line with the original intention to decentralize operations as much as possible, the wage- and account-number records in Baltimore were maintained on a regional basis with the idea that they could be decentralized to the 12 regional offices of the Social Security Board. Because of the continuous migration of workers from one part of the country to another, however, and because most large employers paid their taxes and filed wage reports centrally to cover their employees all over the country, it quickly became clear that such decentralization was impractical. It would have meant the continual transfer of large volumes of work between regions, a tremendous amount of duplicate handling, and special control records for the work transferred. Early in 1939, therefore, a central mechanical section was set up that provided for a unified series of operations for maintenance of all wage records. Subsequently, all the related files and records were combined and centralized and all similar functions in the regional units were consolidated into functional operating units. This basic plan soon proved its validity and is still in operation.

In the meantime, the Bureau began to receive claims for lump-sum benefits. More than 70,000 claims were received in 1937. The first claims units had also been set up on a regional basis. With the decision not to decentralize the wage records, however, the claims units were also consolidated to reduce record-keeping and expedite mass handling of the adjudication process.

Other difficulties had to be overcome in pioneering the establishment of the system for maintaining wage records. One problem involved the reporting of wages by the employer without the wage earner's account number or with an incorrect number. In the first wage reports, filed by employers for the year 1937, almost 10 percent of the wage items lacked a social security account number. Procedures had to be developed for permanently recording these items and for determining the correct account numbers. The percentage of items reported without account numbers decreased to 3.5 percent for 1938 and to 2.5 percent for 1939. In recent years, before the 1950 amendments, it had stabilized at 1.0–1.5 percent. There has been no decline, however, in the percentage of wage items reported by employers with incorrect account numbers or with names different from the names appearing on the Bureau's records. The items have remained at about 4 percent of the total, and the work necessary to check these items, identify the correct account numbers or names, and credit the wages to the proper accounts is a continuing part of operations. To meet the problem, the Bureau has developed a system of educational contacts with employers who fail to give correct information; the importance of maintaining proper records and of submitting correctly prepared reports is explained, and the employers are given help, whenever possible, in solving their reporting problems.

During 1937–39 the long-run success of the wage-record system was assured through the perfection of a system of accounting controls and balancing operations designed to ensure that the millions of wage items and the billions of dollars in wages reported to the Bureau would be accurately credited to the proper accounts.

Striking improvements in efficiency were achieved by revising procedures for posting wages to the individual wage earners' accounts. For the first 2 years, wages were summarized and posted to the individual accounts only after all the employers' reports for the calendar year had been processed. For those end-of-the-year posting operations, temporary employees were hired, batteries of punch-card tabulating equipment were rented, additional space acquired, and a round-the-clock schedule of three shifts established until the posting was completed. To obtain the administrative advantages of a level flow of work throughout the year, a plan was devised for posting employees' accounts on a cyclical basis so that it would become a continuous process using a relatively stable number of men and machines. The plan, which was placed into operation in May 1940, is still in use today.

While those developments were occurring in Baltimore and Washington, the Bureau's field organization was built up in line with the original plans. By the end of 1937, there were 320 field offices in operation. As a result of the decision not to decentralize the records operations, a permanent home was planned for all the Bureau's central operations and for the departmental operations of the Social Security Board. The Social Security Building that was finally constructed in Washington has never been occupied by the Bureau of Old-Age and Survivors Insurance.

As the work of administering old-age and survivors insurance increased, the Bureau found it necessary to almost double its staff between June 1937 and June 1939; the field staff increased from about 900 to 2,000 and the departmental staff from about 2,800 to 5,000.

Because of the effectiveness with which the Bureau assimilated the increased workloads, the Social Security Board recommended expansion of the program in 1939, as indicated by the following quotation from its fourth annual report, for the fiscal year 1939: "Progress in the handling of claims as well as in the maintenance of wage records made it feasible for the Board to recommend that the old-age insurance program go into full operation two years earlier and on a much more comprehensive basis than was contemplated in the 1935 legislation."

Growing Up—First Major Program Changes (1939–41)

The 1939 amendments to the act brought major changes in the Bureau's operations. The most important effects, administratively, were the results of the provisions that established benefit payments for dependents and survivors of the wage earner and that advanced the date for paying monthly old-age benefits from January 1942 to January 1940.

The first field activity relating to claims under the 1939 amendments was to notify, by letter, all persons who had received lump-sum payments at age 65 of their potential right to monthly benefits under these new provisions. Transcripts of the wage records of workers who had attained age 65 in 1937, 1938, 1939, and 1940 were forwarded to the appropriate field offices, which could then advise claimants of their possible eligibility and handle claims promptly. This was the same technique that was used on subsequent occasions, notably after enactment of the 1950 amendments, to prevent loss of benefits by potential claimants.

As far as possible, claims activities were handled by the field offices in a manner to permit at least one personal contact with the claimant. To make service as accessible to claimants as possible, the field offices were supplemented by branch offices and itinerant stations. Close attention was given to problems of interviewing, including those introduced by illiteracy and language difficulties.

Monthly benefits in the first year of operation under the amendments were awarded to a quarter of a million persons. These claims brought with them a host of questions that had to be answered before basic precedents, policies, and procedures could finally be established. The case-study method was used in special problem areas to reach conclusions on the basis of actual experience: What, for example, are the criteria to use in determining whether a parent was wholly dependent on and supported by the worker? When does a widow have a child "in her care"? Are tips and traveling expenses "wages" in the meaning of the act?

Coverage determinations that the Bureau of Old-Age and Survivors Insurance made for benefit purposes, and that the Bureau of Internal Revenue made for tax purposes, had to be coordinated and were sometimes at variance during this period. There was a large twilight zone where it was difficult to determine whether individuals were or were not employees. Attempts to narrow this area were complicated by lack of specific precedents and lack of complete information. Resolution of differences, however, proceeded gradually.

Policies initially adopted to carry out the 1939 amendments were tested and refined as experience accumulated, and a claims manual for the use of operating personnel was issued as the end product. This manual, in its current edition, contains the Bureau's basic instructions for the determination of entitlement to benefits and for the processing and payment of claims.

At this point in the Bureau's history, the central office in Washington was adjudicating claims and certifying them to the Treasury Department for payment. Under the provisions of the 1935 act, this task was relatively simple; all that was required was a one-time authorization to the Treasury Department to pay a lump sum to the person entitled. The 1939 amendments magnified and complicated the task manyfold. One-time notices to the disbursing offices of the Treasury Department for lump-sum death payments continued, but in addition the Bureau now had to authorize recurring monthly benefits and had to process terminations and temporary suspensions because of such factors as return to work. A basic method had to be devised to make information available at all times as to which of the persons entitled to monthly benefits should receive them for a particular month. Moreover, controls had to be established in the wage-record operation that would enable the Bureau to note any beneficiaries who failed to report that they were earning wages in excess of $14.99 a month (the amount that would cause a benefit to be suspended), so that wage investigations could be started.

The growth of the recertification activity immediately following the 1939 amendments is indicated by the fact that at the end of the fiscal year 1941 a total of 372,300 benefits, amounting to approximately $6,815,000 a month, were in force.

To administer the new monthly benefits, a punch card was developed for following the payment status of each individual on the rolls. In the area offices, these "payee cards" now ensure timely and accurate recertification each month of nearly 4.5 million benefit payments totaling about $150 million. They have made it possible to prepare a monthly statement showing the activity of the beneficiary rolls and to balance this statement against external controls within a few days after the end of the month. In addition, these payee cards constitute a valuable source of data for analytical studies and for work-load estimating.

Careful scheduling of work with the Treasury Department was and is necessary. Despite the volume of benefit payments and the many changes occurring each month, operations between the two organizations have been synchronized so well that balancing between a listing of the regular monthly benefit checks printed by the disbursing office and the Bureau's payee cards has been made quite simple.

Another problem arising from the 1939 amendments concerned the type of record that should be kept of payments made to each beneficiary. Usual accounting methods suggested a ledger account for each individual on the rolls. This system was considered carefully and experimented with but was finally rejected, since it was evident that, as the benefit rolls grew, hundreds of clerks would be needed just to maintain individual accounts. Still, it was essential to have some method that would permit rapid reconstruction of each beneficiary's payment history when necessary. The problem was solved when it was decided to use the claims-folder system, with a folder set up for each account. Copies of all actions affecting payments—award and resumption of award forms, notices of suspensions and terminations, notices of returned checks, and the like—are filed systematically in the claims folder. By going through the folder it is possible to reconstruct the payment history of any beneficiary within a matter of minutes.

During the years immediately following the 1939 amendments a number of management techniques were established that, though subject to later improvements, have remained as basic elements in the Bureau's administrative concepts and practices. One was emphasis on operating goals as measurements of progress and performance. Another was the development in 1941 and 1942 of a functional budget with estimated requirements directly related to activities to be performed. The responsibility for initial estimating and for subsequent budget execution was placed as closely as possible to the organizational level performing the work. A formal work planning-reporting system was still another administrative development. This system provides a regular method for supervisory leadership and for participation at all levels in the development of operating objectives and plans. A program of periodic narrative reporting was used to keep the administrative offices informed of current operations.

In these years, the emphasis in operations had turned sharply from registration and maintenance of records to the receipt, processing, and recertification of claims. A sound administrative basis was established that was immediately tested by the difficulties of the war years.

The War Years (1941–46)

Shortly after the declaration of war, President Roosevelt announced that a number of agencies—including that part of the Bureau of Old-Age and Survivors Insurance in Washington—would be moved to make office space and housing available in Washington to war agencies and their employees.

The personnel problem thus created threatened the effective administration of the Bureau's program.

After considering such factors as the immediate availability of office space and housing for employees, the presence of Treasury Department disbursing office facilities, and the location of various cities in relation to the national claims load, a decision was made to relocate the claims activities in five cities—New York, Philadelphia, Chicago, New Orleans, and San Francisco. The central administrative staff was shifted to Baltimore (the home of the Division of Accounting Operations since the beginning of the program).

The relocation of more than 1,500 employees and the Bureau's equipment and records was accomplished without a major "hitch," and the more than 500,000 beneficiaries then on the rolls continued to receive their benefit checks on time.

During the same period another significant organizational determination was made. After a "trial run," authority was delegated to field office personnel to make initial determinations of the rights of claimants to receive benefits. Previously, both the initial determination of entitlement and a review had been made centrally.

At this point the development of the keystones in the present organizational structure of the Bureau was completed—central administrative offices and the records office in Baltimore; field offices throughout the country to receive, develop, and adjudicate claims; and area offices to review claims adjudications and to certify and recertify claims to the Treasury Department disbursing offices for payment.

The Bureau's administrative history during the 4 years following the formal declaration of war was characterized by labor shortages, high turn-over among personnel, and the use of every kind of short cut to keep up with the workloads. Although working hours were increased from 39 to 44 in January of 1942 and from 44 to 48 a year later, the manpower problem remained acute. The Bureau was authorized at this time to do its own hiring within the framework of Civil Service Commission and War Manpower Commission regulations. Nevertheless, the supply of manpower was still inadequate. Replacements, in most instances, were less qualified than the employees they replaced.

With the onset of war the Bureau took action on a number of economy steps that had already been under consideration as a result of experience in the first years of operation. Among them was the elimination, with resulting substantial savings, of a large alphabetic file containing a typed copy of the information on all applications for account numbers. Studies had indicated that the principal uses of this file—to assist in identifying wage earners who had lost their account number cards and to aid in the investigation and correction of improperly reported wage items—did not warrant the cost of maintaining it in addition to the other available sources of information.

By the end of 1942 it became apparent that additional steps would have to be taken to streamline the Bureau's work. President Roosevelt's letter of December 22, 1942, to the heads of all departments and agencies set the framework for the Bureau's appraisal of activities. In part, the President stated: "Many activities, desirable in peace time, must be eliminated, provided only that such eliminations do not result in permanent harm to the future health and security of our individual citizens; many services must be provided at a reduced standard; all agencies—military and civilian—must take all necessary measures to organize their work for maximum efficiency."

Late in 1942 and early in 1943 the Bureau undertook a reappraisal of all its activities known as the "Why Survey."[4] The survey utilized the Job Methods Training course of the War Manpower Commission and a Bureau-wide suggestion system. Over a period of about 6 months, 57 areas of activity were subjected to detailed study. Of 6,600 suggestions received from 2,400 employees, a total of 1,800 from 1,000 employees were put into effect immediately. Another 250 acceptable suggestions related to printed forms and were carried out as the forms were reordered. It has been estimated that this Bureau-wide appraisal resulted in eventual savings of at least 1,500 positions. The employee suggestion system, which is now on a permanent basis, has proved of great importance in the Bureau's continued appraisal of its activities. The Bureau also employed the Job Relation Training and Job Instructor Training courses and other training methods to use the available manpower most efficiently and to counter the effects of employee losses.

The number of beneficiaries on the rolls continued to grow steadily, as did the work involved in maintaining the rolls. The work in maintaining accounts of employee earnings increased sharply because of the high level of wartime employment and labor turnover. In spite of scarcities, the Bureau's wartime job became larger because of economic and program factors beyond its control.

At about this time a radical step was taken. If employees could not be persuaded to come to Baltimore to work, it would be necessary to take the work to employees. Large blocks of work in the processing of employee earnings items were sent to the Philadelphia, Chicago, and New Orleans area offices and to a new branch accounting office set up in Wilkes-Barre, Pa. Wilkes-Barre was selected because it was a noncritical labor supply area; because labor-market conditions there have remained good, operations have not only been continued but have been expanded. The shift of work to the area offices, however, did not offer a permanent solution to the Bureau's manpower problem. At the end of the war, this work was transferred back to the Division of Accounting Operations.

In addition to carrying on its own function effectively in the face of these wartime difficulties, the Bureau made several direct contributions to the national war effort. Its field staff carried out a number of compliance surveys for the War Production Board, and it provided war agencies with statistical data derived from the Bureau's wage record operations.

The Bureau participated with other constituents of the Federal Security Agency in administering an emergency program for civilians affected by enemy action. The Bureau's role was to provide cash payments to dependents of workers captured by the enemy on Wake Island, Guam, and other outlying war bases, repatriated civilians from the Philippine Islands who were disabled as a result of enemy action, as well as dependents of those who were killed, disabled civilians, and survivors of those who were killed in the performance of official protective services such as the Civil Air Patrol, civil defense, and Aircraft Warning Service. Shortly after the war ended, this program was transferred to the Bureau of Employees' Compensation, now in the Department of Labor. Slightly more than $1 million had been paid in benefits by the Bureau of Old-Age and Survivors Insurance.

Postwar Readjustment (1946–50)

The 1946 amendments to the Social Security Act included provisions for retroactive protection for survivors of World War II veterans who died within 3 years after their discharge from the Armed Forces. This provision increased the Bureau's workloads, required the preparation of special procedures for processing veterans' cases, and set in motion extensive coordination with the Veterans Administration and the Armed Forces to verify service records and obtain proofs. The enactment of the Railroad Retirement Act Amendments of 1946 also had considerable impact on the Bureau of Old-Age and Survivors Insurance, since railroad earnings were to be credited toward survivor benefits payable under the Social Security Act. Coordination of the records of the two systems and cross-referring of accounts involved new workloads and the exchange of wage-record and account-number information between the Railroad Retirement Board and the Bureau.

Major staff adjustments during the immediate postwar period resulted from the return of veterans and war transferees with reemployment rights. Placement of thousands of returning employees and reassignment of temporary incumbents with due regard for their rights and for principles of fair play constituted a real achievement. A vigorous training program facilitated the reorientation of both returned and reassigned employees. Within a year a return to peacetime standards had been accomplished.

Another development of the postwar period was the transfer to the Bureau of the responsibility for certain administrative jobs previously performed as staff functions in the Social Security Administration. On the basis of studies made by the Administration, the property management and procurement functions and personnel engaged in this work were shifted in 1947 to some of the constituent bureaus. In quick succession, the administrative accounting and auditing function and staff, and increased responsibility for classification, payroll, and informational work were delegated to the Bureau level. Other changes of less significance were made, all with the same purpose of fixing authority and accountability at the most appropriate level.

The distribution to the area offices of workloads, which are allocated by account-number series, was revised in 1946 and 1947 to reflect the changing geographical distribution of the claims load. The New Orleans area office was closed, and new offices were established in Kansas City and in Birmingham. The number of area offices and the locations have not been altered since 1947.

Operations in the fiscal year 1948

[4] See the *Bulletin*, March 1944, pp. 23–24.

were, for the first time, financed out of a single appropriation made to the Bureau. This realignment in the appropriation structure had the effect of relating, as directly and as clearly as possible within the existing organizational pattern, the costs of administration with the job to be done in carrying out the old-age and survivors insurance program. This change contributed to simplicity in preparation, presentation, and justification of the Bureau's budget.

Several major improvements in job methods were made during this period. When wage records were first set up, for example, individual ledger sheets that had been established for all wage earners were posted and balanced annually. A new procedure eliminated the use of individual ledger sheets. Instead, a continuous listing is now prepared each year, by electrical accounting machine, using the annual summary and detail earnings punch cards. A separate listing is run for each 1,000 accounts, showing wages reported during four calendar quarters, as well as cumulative information on wages, quarters of coverage, and so on. The listings are microfilmed. The microfilm, which represents the basic wage-record reference, is spliced to the microfilm for preceding years for the same 1,000 accounts. It is estimated that this plan saves approximately $500,000 a year.

Under a simplified procedure, all employer wage reports that consist of a single page—about 80 percent of the total—are microfilmed and destroyed immediately after being processed. In addition to effecting substantial savings in manpower, this procedure releases enough filing equipment and space to relieve the pressure brought about by the great volume of reports received under the expanded program.

More efficient operation resulted when the manual preparation of correspondence by the collectors of internal revenue on wage items reported without an account number was replaced by the mechanical preparation of correspondence in the Division of Accounting Operations. This change produced substantial savings in the collectors' offices, less handling of incomplete item cases in the old-age and survivors insurance field offices, and earlier receipt of wage reports by the Bureau of Old-Age and Survivors Insurance for processing.

Another plan transferred the function of assigning employer identification numbers to the collectors of internal revenue. The plan resulted in estimated savings for the Bureau of Old-Age and Survivors Insurance of $93,000 a year, without appreciably increasing the costs in the Bureau of Internal Revenue, where certain operations relating to the function were already being performed.

The cost of recertifying monthly benefit payments to the disbursing offices was reduced by "freezing" the file of payee cards, except for deletions, for 6 months at a time. By keeping the file relatively stable, problems of balancing and filing are greatly reduced.

The Program Comes of Age (1950–51)

The 1950 amendments to the old-age and survivors insurance program imposed an obligation on the Bureau for efficient, swift, and accurate administrative action to accomplish the social objectives of the new legislation. First, more than 3 million persons on the monthly beneficiary rolls on September 1, 1950, were immediately entitled to increased benefit amounts. Second, almost 700,000 persons, who had not been able to qualify previously, became immediately eligible for benefits. Finally, the new coverage provisions brought an additional 10 million jobs under the program, and old-age and survivors insurance wage credits were provided for the World War II service of 16 million veterans. This new coverage was not to become effective until the beginning of 1951, but immediate preparation was necessary.

Before the amendments were passed, advance planning was carried as far as possible. Training programs were planned to utilize the maximum skills of persons already on duty and to get new employees into production quickly. Work-flow adaptations and procedural adjustments were prepared while the amendments were taking form. An extensive information program was planned to ensure that the public and potential beneficiaries would understand their rights, benefits, and responsibilities. These preliminaries, with the support of experienced personnel, made it possible to keep staff increases at a level just sufficient to meet long-term workload increases. The Bureau, instead of hiring temporary employees, shifted regular employees from one operation to another as peak loads occurred, and overtime was used extensively.

The first administrative task was to increase benefits to the new amounts in time to meet the mailing schedule of October 3, 1950, for the September benefit checks. Immediately after the amendments became law, postcards were sent to about 3 million beneficiaries informing them of the date when they would receive checks in the higher amounts. This action was taken to acquaint beneficiaries with what they might expect under the new law and to prevent the field and area offices from being swamped with inquiries. With the cooperation of the disbursing offices of the Treasury Department, all checks in the new amounts were in the mails by October 3, just 36 days after the new law was signed.

Meanwhile, principally because of liberalized eligibility requirements, the claims load increased rapidly. Before the amendments about 250,000 claims were received each quarter. After the new provisions were adopted, this figure doubled; for short periods, moreover, the Bureau received and processed a claims load four times as heavy as the previous normal load.

A key measurement of efficiency in the claims operation is the elapsed time from the filing of the claim to final award of benefits or disallowance action. With the initial upward surge in claims, processing time for development, adjudication, review, and certification began to increase, and by January 1951 about 50 calendar days were required. By the following June, processing time had been reduced to about 27 calendar days—close to the average in the pre-amendment period.

The work of registering newly covered employees and employers—the first major task under coverage extension—gained momentum in December 1950; the registrations remained at a high level through the rest of the fiscal year. Employer registrations increased by more than 150 percent over those in the preceding fiscal year, and about 80 percent more employee accounts were established. These workloads were processed without the accumulation of backlogs.

Staff work entailed by the new coverage presented very real challenges. Forms and procedures, for example, for the use of nonprofit organizations had to be developed by January 1, 1951. Questions of interpretation of the law had to be settled so that States could receive guidance in framing legislation and negotiating coverage agreements to meet the requirements of Federal legislation. Because the newly covered self-employed persons would not report their covered income for 1951 until 1952, the need for devising forms and procedures in this area was not so pressing as for newly covered employees. Since, however, the retirement test of the program was applied to covered self-employment beginning in January 1951, it was necessary to inform beneficiaries of this fact and to work out procedures that would permit benefits to be suspended currently when a beneficiary was currently engaged in covered self-employment. In addition, Bureau staff worked closely with the Bureau of Internal Revenue in developing regulations and uniform coverage determinations for the self-employed. An information booklet with a tear-off coupon to register household employers was prepared and widely distributed. A tax-return form of the envelope type was developed in cooperation with the Bureau of Internal Revenue to simplify tax and wage reporting for the housewife. Information on procedures and on definitions of rights and obligations was distributed to farm people with the cooperation of the Department of Agriculture. Claims policy determinations were made on numerous points in the new coverage fields.

Growing out of the amendments are two additional improvements in administration. In most cases it is no longer necessary to secure from an employer a special statement of recent wages that have not yet been reported to the collector of internal revenue, and plans are now being put into effect for a combined benefit check to all children in a single family unit instead of separate checks for each child.

A number of factors can be used in evaluating administration during this period of major change. Monthly benefits were awarded in the fiscal year 1951 to 1.4 million persons, more than double the previous record high. Beneficiaries on the rolls at the end of June 1951 numbered 4.4 million—1.1 million more than at the end of June 1950. The total cost incurred by the Federal Security Agency in administering the old-age and survivors insurance program in the fiscal year was about $55 million, as compared with $43 million in the preceding fiscal year. The 1951 total was only about 2.6 times the amount expended in the fiscal year 1941, although the volume of work had tripled and soaring prices had tremendously increased operating costs. The rise in the Bureau's composite workload was roughly 47 percent during the year, while the number of manhours worked, including overtime, increased by only about 20 percent. In this period, 47 employees were handling the amount of work that had required 100 persons in 1941.

Challenge of Administration

Victory over size is probably the distinguishing feature of administrative accomplishment under the old-age and survivors insurance system. A workable, wage-related benefit system would probably not have been possible had it not been for the Nation's talent for the adaptation of mass-production methods and machines to all types of enterprise, even to the setting up of social security accounts. The social security system in this country owes a vast debt to American mechanical genius, which introduced industrial production methods into office operations.

The recent introduction of electronic computers has made possible the rapid mechanical calculation of benefit amounts from punch cards containing wage-record information. In line with its continuous study of methods and operations, the Bureau is following closely the development of other types of high-speed electronic machines that are potentially capable of accumulating and storing masses of details and rearranging and tabulating information with lightning speed.

In the final analysis, of course, the interest of the Bureau is not simply in smooth operations for their own sake. Essentially it is a matter of fulfilling obligations to beneficiaries of the program, who are entitled to an efficient system operated at the lowest possible cost.

As old-age and survivors insurance becomes a more and more important source of income for greater numbers of older persons, widows, and orphans, the Bureau is frequently the main contact these people have with any Government program. Sympathetic and friendly service has always been the aim of the hundreds of social security field offices in local communities all over the country. The new size and importance of the program, however, bring heightened challenges in the area of human relationships.

Attainment of the continuing goals of efficient, courteous, and enlightened administration depends on the men and women who are operating the system. Continuing improvements in the quality of service depend in large part upon continuing development of personnel. The Bureau has sought this development through stressing opportunity for career service in the social security program. Employees have been selected with a view to their potentialities for growth. Training courses have been designed to provide not only technical training for immediate responsibilities but also broader orientation in the meaning and objectives of social security.

Service to the public has also been based on the concept that a sound program of public reporting is one function of efficient administration. In recommending a broad informational program on the new amendments, the Advisory Council on Social Security to the Senate Committee on Finance reported in 1949:

> Under old-age and survivors insurance, contributors have established an equity in the trust fund. The Government as trustee has an obligation to inform the beneficiaries of their rights. The reporting and tax provisions as well as the benefit provisions will affect millions heretofore outside the scope of the law; unless they are fully informed of the duties they must now assume, records will be incomplete and the resulting confusion may tend to defeat the purpose of the extended protection. No social-security program

can be effective unless those who are entitled to participate know their rights and obligations.

Providing the public with full information on their rights and responsibilities under old-age and survivors insurance is necessary to economical and efficient operation of the law, and has been a basic administrative responsibility of the field offices. Further, the Bureau's reporting program includes publication of claims statistics and administrative reports to Congress and the public, as well as statistical data collected in the processing of wage and employment reports. These latter statistics, developed for use in administering the program and in public consideration of program changes, give a valuable picture of the workings of the Nation's industrial and commercial economy. They are made available, often in cooperation with other Federal agencies, for the general use of Government, industry, labor, and other public and private users.

The legislative changes in the program over the past 15 years, while accomplishing much toward improving the program and bringing it closer to the goal of basic retirement and survivorship protection for all workers, have resulted in some program provisions that may be unnecessarily complicated. This situation was inevitable, since the amendments are not only the result of compromise between the positions of many varying groups but also reflect attempts to preserve the equities of persons who have already established rights under the program. Program modifications looking toward simpler, more effective administration are now a major legislative goal.

The program changes that still remain to be made present significant challenges to administration. Administrative planning must accompany program planning in such areas as extension of coverage to groups still unprotected, extension of the program to persons covered under other retirement systems, protection against disability, and changes in the benefit rate.

Challenge of Benefit Adequacy

Since 1941 the Bureau of Old-Age and Survivors Insurance has conducted surveys of small samples of beneficiaries to determine the significance and effectiveness of the program in meeting their needs. In November and December 1951, the Bureau conducted the first Nation-wide survey of some 20,000 aged beneficiaries and their dependents to ascertain how they were currently getting along. Preliminary results from this survey will be available in the spring of 1952.

According to the most recent of the published surveys (Philadelphia and Baltimore, 1949) only about 1 in every 5 aged beneficiary couples had, besides their old-age insurance benefits, additional permanent income amounting to as much as $600 during the year.[5] For one-third of the couples, old-age insurance benefits were the sole sources of permanent income. Without the insurance benefits, only 1 couple in 8 would have had as much as $75 a month in retirement income; only 1 in every 12 would have had as much as $100. With their benefits, probably half these retired couples now have an assured income of $75 a month, and more than one-fourth probably have $100.

Two-thirds of the families of widows and children included in the survey had no permanent income other than their benefits. In families where the widows were not at work, only 1 in every 10 would have had $75 a month or more without their benefits. With the benefits, 6 in every 10 families probably now have as much as $75 a month.

Establishing and maintaining reasonable adequacy in benefit amounts remain the most serious challenge to the effective operation of the insurance system. Because the program was established on a conservative basis, the level of benefits as originally established in 1939 was probably too low. The rapid increase in both price and wage levels during the war and postwar period resulted in even greater inadequacy. Thus the first 15 years' program experience has sharply pointed up one of the permanent problems in pension planning—how to keep benefit levels reasonably in line with current economic conditions.

[5] Retirement pay from former employer, veteran's pensions, union pensions, privately purchased annuities, and income from assets.

Between 1939, just before monthly benefits first became payable under the program, and August 1950, when the recent amendments were enacted, the consumer price index rose by 70 percent. Wage earnings of covered workers also advanced rapidly. In 1939, median covered earnings of workers employed under the program amounted to $716. In 1949, the median had reached $1,850, more than 150 percent above the level 10 years earlier. At the same time, the average old-age (primary) insurance benefit had risen by less than 12 percent, from $22.60 in December 1940 to $26.30 in June 1950. The average old-age insurance beneficiary newly coming on the rolls in June 1950 received $29.03, only 30 percent more than the $22.30 awarded to primary beneficiaries in December 1940.

Benefits in June 1950 were clearly out of line in relation to both price and wage levels. The purchasing power of the average benefit had been drastically reduced since 1940. Moreover, the man who retired in 1950 was receiving a benefit representing a smaller proportion of his current money wage loss than the man retiring in 1940. For those coming on the rolls in 1950, the lag of benefits in relation to current price and wage levels resulted from three main factors: (1) the average wage on which benefits were based included past years in which wages generally had been at lower levels, (2) the benefit formula provided only a 10-percent replacement of average monthly wage beyond the first $50, and (3) no replacement was provided on earnings in excess of $3,000 in a year ($250 a month). For beneficiaries who had become entitled to benefits in the earlier years of the program there had been, by and large, no change in rates since entitlement. Their benefits were generally fixed at the time of their retirement.

The 1950 legislation contained important remedial amendments. Under the new law the average wage for workers with approximately 1½ years' work after December 31, 1950, may be computed over the period beginning with that date. Thus, for the next several years at least, workers will be having their benefits computed on a current basis. The new formula permits a 50-percent replacement of the first $100 of average wage and 15 percent of the next $200. Earnings up to $3,600 a year instead of only $3,000 may be credited toward social security benefits. Finally, a substantial adjustment was made in the rates of beneficiaries who had become entitled before the amendments.

Nevertheless the 1950 amendments have not permanently solved the problem of keeping benefit rates up to date. We know that over the long run the trend of wages, prices, and the standard of living has been upward. Under such circumstances a person who starts contributing in his twenties toward a retirement benefit to be paid at age 65 will find, when he reaches 65, that the money benefit he looked forward to in his younger years is quite inadequate to do the job he had expected it to do. This situation results not merely from the fact that prices may have risen; just as important is the fact that a general rise in standards of living will have occurred. Pensions must not only keep pace with rising prices but must take account of improvements in the standards of living current at the time of retirement.

Since annual earnings of more than $3,600 are not included in the benefit computation, the ratio of benefits to earnings is considerably less for higher-paid workers than for low-paid workers. For example, benefits amounting to a 20-percent replacement of his monthly wage are payable to a $4,800 worker if he is entitled only to a retirement benefit for himself, and to a 30-percent replacement if his wife is also entitled. Similarly, the benefit replacement for a $6,000 earner is 16–24 percent of his work income. The worker who averages only $1,200 a year, however, receives a 50–75 percent replacement.

As wages rise generally, the dollar definition of lower- and higher-paid workers becomes outmoded. If a "low wage" man may be represented today as one earning $100 a month or less, tomorrow he may be the man earning $150 or less. Similarly today's "high" earner, the $300-a-month man, may give way to the $400 or $500-a-month man. Rising wage levels, then, will have to be accompanied by corresponding changes in the bases on which benefit amounts are computed. Increases will be necessary both in the present $100 limit, at which a 50-percent replacement is made, and in the $3,600 annual maximum on earnings included in the computation.

Moreover, since the benefit should reflect the worker's customary level of income at the time he retires, the use of an average over a working lifetime, as provided under the present law, has proved to be unsuitable. Earnings in early working years are generally lower than those in later life, both because the youthful worker has not attained his full earning power and because wage levels generally may have been lower. A more realistic base for the average monthly wage computation would be a limited period—say 5 or 10 years—of full-time wages, occurring near the time of entitlement. An appropriate period might well be the worker's 5 or 10 consecutive years of highest earnings. This period is likely to be in the later years of working life, and the "best" years will in most cases represent full-time employment. The best years are perhaps preferable to the most recent years before retirement age, because the worker thus has better protection against an arbitrary reduction in the benefit on account of irregularity in employment just before retirement.

Finally, even though the benefit is computed so that it reflects current economic conditions at the time the individual retires, there is the problem of economic changes while he is in receipt of his benefit. Benefit amounts for those on the rolls need to be adjusted during the period of receipt to bring them into line with rises in prices.

It is important to recognize that, because contributions are set not at a fixed sum but as a percentage of covered earnings, the financing provisions of the act allow for liberalization of benefits as wages rise. The total income to the system increases as wages go up, and under the present benefit provisions the resulting additional income will more than offset any increase in benefit disbursements. This fact was recognized in both congressional reports on the 1950 amendments and has been demonstrated in the program's history. Because of the rise in wages over the 15-year period and the consequent higher level of income to the system, it was possible to set contribution rates in the 1950 amendments at about the level originally contemplated under the 1935 act, despite the much higher benefit rates provided by the amendments. Similarly, because wage levels are now about 20 to 25 percent higher than in 1947—the level on which the actuarial estimates for the 1950 amendments were based—benefits can now be raised from 12 to 15 percent without increasing the contributions scheduled.

The ability of the social insurance system to adjust to changes in economic conditions is an important determinant of how well it can fulfill its function of providing basic protection to the workers covered under it. If its benefits do not keep pace, there remains a larger job for public assistance and for supplementary private pension plans. We have already seen what happened before the enactment of the 1950 amendments. Old-age assistance payments, which in December 1940 had averaged $20.26 or slightly less than the average old-age insurance benefit of $22.60, had risen by June 1950 to $43.85, while the old-age insurance benefit had increased to only $26.30. To a considerable extent, labor's postwar pension drive was motivated by the inadequacy of the old-age and survivors insurance payments. While industry pensions can provide valuable supplementary protection, they are inherently not suited to do more than that.

Challenge of Coverage

A second major problem from the beginning has been the question of whether the program could, in actual practice be expected to cover all types of employment, or whether the limitation of partial coverage was to remain. The difficulties of tax payments and income reporting for some groups, it was first thought, would make it difficult to achieve a truly universal system. The 1950 amendments have now brought the goal of universal coverage in sight. Groups that seemed to present special problems have recently been brought under the system—the self-employed, employees of nonprofit organizations, a considerable proportion of State and local government employees, and a sizable group of farm

Fifteen years' operation of the old-age and survivors insurance program, selected data

[In thousands]

Fiscal year	Employee accounts established (cumulative)	Employer numbers assigned (cumulative)	Earnings items received	Claims for benefits	Beneficiaries on *rolls* at end of year [1]	Changes in beneficiary rolls [2]	Benefit payments	Administrative costs [3]	Number of Bureau employees
1937	30,296	(4)	----------	10	(5)	(5)	$27	(6)	3.7
1938	40,361	(4)	97,681	172	(5)	(5)	5,404	(6)	6.9
1939	45,920	2,739	117,447	218	(5)	(5)	13,892	(6)	7.0
1940	51,390	2,981	125,098	266	103	(4)	15,805	(7)	8.9
1941	57,494	3,343	134,561	422	372	230	64,342	$21,467	9.4
1942	64,150	3,746	157,974	426	596	429	110,281	20,535	9.8
1943	72,338	4,103	180,174	432	796	609	149,304	20,539	8.7
1944	78,250	4,422	196,298	507	998	650	184,597	25,316	8.4
1945	82,229	4,788	170,903	697	1,285	772	239,834	19,600	9.0
1946	85,182	5,311	170,525	879	1,701	1,040	320,510	28,478	9.5
1947	88,080	6,281	184,628	863	2,067	1,352	425,582	29,293	11.2
1948	90,822	6,947	183,768	925	2,471	1,593	511,676	35,041	11.5
1949	93,356	7,473	189,327	915	2,868	1,739	607,036	39,687	11.1
1950	95,845	7,959	178,995	969	3,288	1,921	727,266	43,131	11.2
1951	100,325	9,254	193,221	1,796	4,388	2,632	1,498,088	55,342	14.1

[1] Persons entitled to monthly benefits, including those not in receipt of benefits at end of year.

[2] Includes changes of address, terminations, suspensions and reinstatements because of work-clause provision, changes in benefit amounts resulting from operation of maximum and minimum provisions, recomputations, and administrative actions.

[3] Administrative costs attributable to program for all components of Federal Security Agency.

[4] Data not available.

[5] Monthly benefit payments began Jan. 1, 1940.

[6] Comparable data not available. Charges against the old-age and survivors insurance trust fund for administrative costs attributable to program began Jan. 1, 1940.

[7] Costs reported for only last half of fiscal year; see footnote 6.

and domestic workers. The two major groups still excluded are the irregularly employed farm and domestic workers who in 1951 represented between 2 and 3 percent of total paid civilian employment.

Several groups—most Federal civilian employees, members of the Armed Forces, railroad employees, and many employees of State and local governments—have been excluded because they already are covered under public staff retirement plans. In most instances these staff plans provide adequate protection for a member who remains under one of the systems for the greater part of his career. They fail to take account, however, of the continual movement of workers between public and private employment, and between jobs in public employment covered by different systems. To assure continuity of protection for these employees, the basic protection of the old-age and survivors insurance system should be extended to members of the various staff systems. The experience of private industry plans that have been designed to supplement the protection afforded by old-age and survivors insurance indicates that the other public systems could be superimposed upon and coordinated with old-age and survivors insurance without impairing the special protection achieved under those systems. A start in this direction has been made in the recent legislation providing a form of coordination between the railroad retirement system and old-age and survivors insurance.

Another problem of coverage that has received increasing attention has been created by the ineligibility of persons who retired before they had an opportunity for coverage. The 1939 amendments greatly modified the provisions of the original act concerning the payments that could be made to the current generation of older persons. By introducing a minimum requirement of only 6 quarters of coverage for persons aged 62 and over in 1937, by basing benefits on the "average monthly wage" since 1937, and by permitting the fulfillment of the requirements on the basis of work at any time after 1936, even after age 65, the amendments extended benefit protection to a much greater proportion of the older generation. The process was carried further in the 1950 amendments through a "new start" provision in the average monthly wage and eligibility requirements. Nonetheless, there still remains unprotected a group of the aged already out of the labor force who will not qualify even under the modifications made by the 1950 amendments. And there will continue to be such a group in the future so long as occupational coverage of the system remains incomplete and the risk of long-term disability remains universal.

Proposals have been made for bringing all the present aged into the insurance program. If any such proposal were adopted, two major conditions would have to be included. The insurance program would have to be extended to cover substantially all gainful employment, so that the need to pay benefits to noncontributors would be confined largely to the present aged who have not had opportunity for covered work. And the cost of the benefits under this transitional device would have to be financed from general revenues rather than from the contributions of covered workers and their employers. The effect of any such proposal in reducing public assistance expenditures would depend on the size of the insurance benefit provided for the noncontributory group.

Still another aspect of the coverage problem relates to risks other than loss of income caused by retirement or death. The most important of the noncovered risks is total disability that forces persons to stop work before reaching retirement age. Such disabled persons may live a few or many years without earned income for their own and their families' needs.

And if they live to age 65, they often find that they are not entitled to benefits, or that they will receive a smaller amount, because they could not work and make contributions during the period of disability.

A large part, and by far the most appealing part, of the mail and personal inquiries that are received each day by the Bureau of Old-Age and Survivors Insurance comes from the disabled. Cognizant of their needs, and confident that a program of disability benefits would be economical and feasible, the Social Security Administration as early as 1939 recommended that benefits similar to retirement benefits be paid to totally disabled workers and their dependents. In addition the Administration has recommended that the insurance system provide funds for the rehabilitation of such disabled workers.

Another significant noncovered risk is the cost of hospital care for persons on the old-age and survivors insurance rolls. The old-age and survivors insurance benefit is not designed to meet large, unexpected, and unpredictable costs. For persons whose chief reliance for their daily needs must be placed on the benefit, a period of hospitalization may create catastrophic costs well beyond their means. At any one time, large hospital expenses may represent a major cost of living for only a small proportion of the beneficiaries. But over the course of months and years the cumulative effect of such expenses on the resources and assets of beneficiary families seriously influences the question of benefit adequacy.

Income loss due to serious, long-term disability and to hospitalization costs for older persons, mothers, and dependent children on the beneficiary rolls now are a substantial burden on the Nation's welfare budget. These risks constitute a threat to the ability of families to remain financially independent. They undermine the effectiveness of the insurance system in protecting against want and dependency. What is needed is a more orderly and systematic method of enabling people to meet these costs by spreading the risk among all contributors to the system.

Challenge of the Aging Population

The 15 years during which old-age and survivors insurance has been in effect in this country have witnessed a considerable shift in community attitudes toward retirement of aged persons, and consequently toward the role of retirement pay programs. During the depression the plight of aged persons appeared as one of the more overwhelming aspects of the general unemployment problem. Not only were the aged out of employment, but the chances of their again getting jobs were much slimmer than for the rest of the population. And even if they were to be employed, they would, many thought, simply take jobs away from the younger, more productive workers.

If jobs were not available it was also clear that the problem of the older persons' support could not be adequately met from other private resources, such as individual savings or the help of families. Savings, difficult to accumulate at best, had in most instances been exhausted during the depression, and families were less able than formerly to support aged relatives. The essential problem seemed to be one of making orderly provision for the maintenance of a large, permanently nonproductive group.

In more recent years there has been less general acceptance of the idea of retirement solely on the basis of age. The experience of World War II indicated the willingness and capacity of many older people to work if they are given the opportunity. The increased employment of aged persons was reflected in the Bureau's own claims data. In the period from 1940 to 1945, of all insured persons who could have drawn old-age insurance benefits by retiring from covered employment, less than a third took advantage of the opportunity to do so. It is estimated that between two-thirds and three-fourths of those who did retire were disabled to an extent that prevented them from working full time in their regular jobs. The number of new entitlements to old-age insurance benefits dropped off rapidly during the war years, reaching a low of 89,000 in 1943. The volume of new old-age benefit awards did not exceed the 1940 level until 1945, when 185,000 awards were made.

Current thinking on the matter of retirement and retirement pensions for aged persons has taken a new emphasis. With the realization that many old people can and want to work, it is becoming more and more clear that it is important to provide them with the opportunity. With the increasing proportion of aged persons in the population, the real cost to the community of their retirement—that is, the loss of current production—grows larger, no matter what type of cash provision is made for supporting them. To the extent that aged persons can and wish to contribute to current production, therefore, they should have the opportunity to do so.

Community emphasis on work opportunities for the aged is naturally of direct interest to an agency whose primary job is providing benefits to the aged who are retired. The extent to which older persons work is an important determinant of the cost of the program. But our concern as an agency cannot be limited solely to the economics of employment and retirement, either as related to income and disbursements under the social insurance system, or even as related to production and consumption in the national economy as a whole. Our primary function of providing income for retired people, seen in its broader perspective, is but a partial contribution toward the *well-being* of all aged people. And this well-being is more than a matter of having a cash income that helps meet the expenses of food, clothing, and shelter, the bare elements of keeping alive. It is a matter of attaining positive satisfactions in life.

Hundreds of thousands of aged social insurance beneficiaries are living alone, often in ill health, unoccupied, and with no sense of purpose or hope for the future. The payment of a cash benefit simply to keep them alive is not enough. More and more the community is raising the question—keeping alive for *what?* More and more the Bureau is joining with others to answer the question—how can we tap the resources of wisdom and experience that older people have, and how can we help them to a more purposeful and happy life?

The community is becoming increasingly aware of these other needs of the aged—needs that cannot be met through the ordinary cash benefit for ordinary living expenses. The Bureau of Old-Age and Survivors Insurance, as a community institution dealing with aged people, shares the general concern for the total needs of the aged.

The Bureau's active concern for the aged and for the widows and children must be applied in the day-to-day administration of the system. The first concern is to keep the administrative machinery work at peak efficiency—to do a prompt job of keeping a person's wage record accurately, to act promptly on his claim, and to get his check to him on time every month. In all relationships with claimants and beneficiaries, it should never be forgotten that the old-age and survivors insurance program deals not solely with benefit payments but with people too.