made to understand these questions in their total context. It has been a major thesis of United Nations work in the last decade that the problems in one particular field or area cannot be understood merely in terms of the variables operating within that field; in particular, it has been emphasized in various resolutions of the Economic and Social Council and of the General Assembly, and in various reports by the Secretary-General, that economic and social factors are so inextricably interwoven that no proper explanation of developments in the one field can be made without reference to trends in the other. For this reason, in the regional chapters consideration has also been given to economic forces that have direct bearing upon social trends.

Notes and Brief Reports

Social Security Taxes and Total Payrolls*

The social insurance programs inaugurated by the Social Security Act—old-age, survivors, and disability insurance and unemployment insurance—have now been in operation for more than a quarter of a century and are an accepted part of American economic and social life. The benefit provisions have undoubtedly played a significant role in preventing or lessening the economic losses and difficulties arising from the three major causes of the termination of a family breadwinner's work activity—death, old age, and permanent and total disability—and from short-term unemployment. This is one side of the coin. The other side is the charge necessarily imposed on employers and workers to finance the program on a sound basis. The impact of this charge on employers as it has varied from the system's beginning through 1962 is considered in the following pages.

One way to consider the cost impact of the social security program is in terms of the contribution (or tax) provisions of the old-age, survivors, and disability insurance system. During 1937–49 the amount paid by employer and by employee was at most $30 a year. Currently each of them pays a maximum of $174—almost six times as much. Even if only the contribution rate itself is considered, the rise is still substantial—slightly more than three and one-half times the initial rate of 1 percent.

Another way of looking at the financial impact is to compare the total contributions collected currently with the corresponding amounts collected in the early years of operation. The following tabulation shows contributions for the calendar years 1962 and 1940 for both old-age, survivors, and disability insurance and, under Federal and State taxes, unemployment insurance.

Program	Contributions (in millions)	
	1940	1962
Total	$1,600	$16,500
Old-age, survivors, and disability insurance	640	13,100
Unemployment insurance	960	3,400

The contributions for old-age, survivors, and disability insurance in 1962 were more than 20 times the amount in 1940. Those for unemployment insurance were more than three and one-half times what they had been in the earlier year.

It would thus appear that the social security taxes have a much greater impact on employers today than they did 23 years ago, and it is true that the absolute monetary amounts are considerably larger. Meaningful analysis, however, calls for consideration of the charge in relation to total wages or total payroll rather than in terms of dollars. Among the reasons are (1) the changing value of the dollar and changing levels of earnings, both of which have raised the amount contributed in terms of dollars but not necessarily in relation to total payroll, and (2) the expansion of the program to cover more categories of workers.

Another important item must be taken into account: The upper limits on individual earnings on which contributions are collected have not moved upward as rapidly as the general earnings level. Accordingly, consideration of the tax impact cannot be limited solely to rates but must include measurement of the effect on total payroll. For a $6,000-a-year worker, for example, a 4-percent tax on wages up to $3,000 has exactly the same impact as a 2-percent tax on total earnings.

* Prepared by Robert J. Myers, Chief Actuary.

The following pages show, for both the old-age, survivors, and disability insurance and the unemployment insurance programs, the relation of the social security taxes on employers to the total payroll of covered wage and salary workers. The impact of these taxes will differ from one employer to another because of (1) the varying proportions of total payroll that fall within the taxable limits of the programs, (2) the varying contribution rates in unemployment insurance (depending upon experience rating), and (3) the fact that not all employers covered by old-age, survivors, and disability insurance are covered by unemployment insurance.

TAX RATES AND TAXABLE WAGE BASES

The employer tax rate under old-age, survivors, and disability insurance rose from 1 percent for 1937–49 to 3⅝ percent for 1963–65, as shown in table 1. Further increases are scheduled for 1966 (to 4⅛ percent) and 1968 (to 4⅝ percent). The maximum base was $3,000 for 1937–50, $3,600 for 1951–54, and $4,200 for 1955–58; since 1958 it has been $4,800.

The Federal unemployment tax is reduced for employers who make their contributions under an approved State plan. The tax before the offset allowed for such contributions was 1.0 percent in 1936, 2.0 percent in 1937, 3.0 percent in 1938–60, 3.1 percent in 1961, and 3.5 percent in 1962 and 1963. (It is scheduled to drop back to 3.1 percent for 1964 and thereafter.) After allowance for the offset permitted employers covered by a qualifying State plan, the Federal tax amounted to $\frac{1}{10}$ of 1 percent in 1936 and then rose gradually, as shown in table 1, to $\frac{8}{10}$ of 1 percent in 1962 and 1963.

Until 1962 the proceeds from the Federal unemployment tax were used to meet the expenses—Federal and State—of administering the unemployment insurance program and to build up a fund that has been used to make loans available to State plans. The temporary rate increase in 1962 and 1963 was made to finance the special temporary provisions for extended unemployment insurance benefits. There was no maximum taxable base for unemployment insurance in 1936–38, but ever since 1938 the base has been $3,000 a year.

Because of experience-rating provisions, which reduce the individual employer's tax rate on the basis of his experience with the risk of unemployment, the tax rates for unemployment insurance differ widely from State to State. The variations reflect both economic and statutory differences. In the early years, uniform rates were applicable in some States that did not have experience rating.

TABLE 1.—Employer tax rate for old-age, survivors, and disability insurance and unemployment insurance as percent of taxable payroll and measured against total payroll, by program, 1936–63 [1]

Calendar year	Taxable payroll as percent of total payroll			Employer tax rate as percent of taxable payroll			Employer tax rate measured against total payroll (percent)		
	OASDI	UI: Under State tax	UI: Under Federal tax	OASDI	UI: State tax	UI: Federal tax	OASDI	UI	OASDI and UI
1936	----------	(2)	100.0	----------	0.90	0.10	----------	1.00	1.00
1937	[3] 90.4	(2)	100.0	1.00	1.80	.20	0.90	2.00	2.90
1938	[3] 91.3	98.0	100.0	1.00	2.70	.30	.91	3.00	3.91
1939	92.3	97.7	92.0	1.00	2.72	.30	.92	2.93	3.85
1940	92.4	92.8	92.0	1.00	2.69	.30	.92	2.77	3.69
1941	92.0	91.8	91.6	1.00	2.58	.30	.92	2.64	3.56
1942	90.9	90.7	90.7	1.00	2.19	.30	.91	2.26	3.17
1943	89.6	89.3	89.3	1.00	2.09	.30	.90	2.13	3.03
1944	87.8	87.7	87.7	1.00	1.92	.30	.88	1.95	2.83
1945	88.0	87.9	87.9	1.00	1.71	.30	.88	1.77	2.65
1946	87.2	86.8	86.8	1.00	1.43	.30	.87	1.50	2.37
1947	84.8	84.3	84.3	1.00	1.41	.30	.85	1.44	2.29
1948	82.3	81.7	81.7	1.00	1.24	.30	.82	1.26	2.08
1949	81.8	81.3	81.3	1.00	1.31	.30	.82	1.31	2.13
1950	79.7	79.1	79.1	1.50	1.50	.30	1.20	1.42	2.62
1951	84.5	76.0	76.0	1.50	1.58	.30	1.27	1.43	2.70
1952	82.7	74.1	74.1	1.50	1.45	.30	1.24	1.30	2.54
1953	80.8	71.6	71.6	1.50	1.30	.30	1.21	1.15	2.36
1954	79.7	70.4	70.4	2.00	1.12	.30	1.59	1.00	2.59
1955	83.5	68.3	68.3	2.00	1.18	.30	1.67	1.01	2.68
1956	82.7	66.8	66.6	2.00	1.32	.30	1.65	1.08	2.73
1957	80.8	65.0	64.8	2.25	1.31	.30	1.82	1.05	2.87
1958	80.1	63.6	63.4	2.25	1.32	.30	1.80	1.03	2.83
1959	82.0	61.7	61.5	2.50	1.71	.30	2.05	1.24	3.29
1960	80.0	61.1	60.4	3.00	1.88	.30	2.40	1.33	3.73
1961	78.6	60.0	59.3	3.00	2.03	.40	2.36	1.46	3.82
1962	78.0	59.3	58.6	3.125	2.40	.80	2.44	1.89	4.33
1963 [4]	76.0	58.6	57.9	3.625	2.30	.80	2.76	1.81	4.57

[1] See text for sources of data and methodology. OASDI figures are based solely on wage and salary payroll and do not include self-employment income.
[2] Not available.
[3] Persons aged 65 and over were not covered in 1937 and 1938, and their earnings were not subject to contributions. If they had been covered, the proportions would have been about 92.0 percent for 1937 and 93.0 percent for 1938.
[4] Estimated, except for OASDI contribution rate and Federal unemployment tax rate.

Recently, a few States have temporarily reverted to uniform rates in order to strengthen the financing of their systems, but they will again assign reduced rates when their funds reach specified levels. Accordingly, a national average employer tax rate for unemployment insurance is—like any average—not necessarily typical of any particular employer, but it is a summary figure indicating the general level of the tax rates.

In general, the State unemployment insurance systems have had the same maximum taxable base as the Federal unemployment insurance law, but there have been exceptions. In 1936–38, when there was no maximum taxable base for the Federal tax, a few States had a maximum. The effect on the total picture was relatively slight, however, because under such circumstances the full Federal tax was applicable to the proportion of the payroll to which the State tax did not apply. In 1939 a $3,000 maximum became applicable under the Federal law. For that year and a few years thereafter, some State programs continued to have no maximum taxable base, but by 1945 all States had a $3,000 maximum. In 1954 the States began to adopt higher maximum taxable bases, and by 1962 six States had established a base of $3,600, two States a base of $3,800, and one a base of $7,200.

Table 1 gives data for each year 1936–63 on the social security tax rates applicable to taxable payroll. The term "payroll," as used here, relates solely to salaries and wages. It thus does not include self-employment income, which is covered by old-age, survivors, and disability insurance but not by unemployment insurance.

For all years except 1936–38 the State unemployment tax rate shown is the average rate for the Nation, as developed by the Bureau of Employment Security, Department of Labor. For those 3 years the rate shown in the table is that which, when added to the Federal tax rate, equals the total Federal rate before allowance for the offset. This procedure was followed because the Federal tax and most State taxes were on the total payroll, and experience rating was not in effect.

RELATION OF TAXABLE PAYROLL TO TOTAL PAYROLL

The table also shows, as a percentage of the total payroll, estimates of the payroll subject to the old-age, survivors, and disability insurance tax, the State unemployment tax, and the Federal unemployment tax. For old-age, survivors, and disability insurance, taxable payroll and estimates of the total payroll are based on tabulated data. The data dealing with the State unemployment tax are based on actual reported experience, both for taxable payroll and for total payroll. The figures on the Federal unemployment tax have been derived from the actual reported data on total payroll and taxable payroll for those States (the great majority) that have the same maximum taxable base as the Federal law—$3,000 beginning in 1939. All 1962 data are provisional or partially estimated, and the 1963 data are projections.

In the early years of operation of the old-age, survivors, and disability insurance program, about 92 percent of the total payroll was taxable. During World War II and immediately thereafter, the proportion gradually declined, and by 1950 it was only 80 percent. The three increases in the earnings base that occurred during the 1950's were probably largely responsible for causing the proportion of the total payroll that was taxable to fluctuate between 80 percent and 84 percent in that decade.

Another factor involved was the expansion of the system, as a result of the 1950 and 1954 amendments, to include a number of low-income employment categories, such as farm and domestic work. This factor has had the effect of increasing the taxable payroll in relation to the total payroll, since relatively few of these groups are affected by the maximum taxable earnings base. Since 1960 the proportion of the payroll that is taxable has steadily declined, and for 1963 it is estimated at about 76 percent.

Because the maximum taxable base for the Federal unemployment tax has remained at $3,000 a year, the proportion of the total payroll that was taxable decreased steadily, from 92 percent in 1939 to 60 percent by 1960; a further decline to about 58 percent is estimated for 1963. As indicated previously, the proportion of the total payroll taxable under the State laws was somewhat higher than the corresponding proportion taxable under the Federal law in 1939–41 and again beginning in 1956. In 1962 the difference was still less than 1 full percentage point.

By applying the proportion of the total payroll that is taxable to the statutory contribution rate for old-age, survivors, and disability insurance and, for unemployment insurance, to the Federal tax rate and the average State unemployment tax rate, the employer tax rates measured against total payroll are derived for each of the two programs. The combined figure shown for the unemployment insurance program represents both Federal and State taxes.

Because of the graded nature of the tax rate for unemployment insurance and the fact that contributions under old-age, survivors, and disability insurance became payable 1 year later than the unemployment insurance tax, the total employer tax rate measured against the total payroll rose sharply, from 1 percent in 1936 to almost 4 percent in 1938 and 1939. During the 1940's, this total rate declined gradually, reaching a low of 2.1 percent at the end of the decade. The drop was the result of two factors—the growing effect of experience rating in reducing the average unemployment insurance tax rate and, as the general earnings level rose, the decreasing proportion of the total payroll under both programs that was taxable.

In 1950–58 the aggregate employer tax rate measured against total payroll was at a somewhat higher level—generally 2.5–2.8 percent—than during the late 1950's. This increase resulted from the counterbalancing effects of the rising contribution rate and earnings base under old-age, survivors, and disability insurance and the decreasing proportion of the payroll subject to the unemployment tax. The tax rate for old-age, survivors, and disability insurance, when measured against total payroll, rose from about 0.8–0.9 percent in the 1940's to 1.2 percent in the early 1950's and to 1.8 percent in 1957 and 1958. During the 1950's the average unemployment insurance tax rate measured against total payroll declined from about 1.4 percent to 1.0 percent. Beginning in 1959 the total employer tax rate for the two social insurance systems, when measured against total payroll, rose steadily—from 3.3 percent in 1959 to an estimated 4.6 percent in 1963.

When the historical trend of the relationship between the combined employer tax rate for the two programs and the total payroll is examined, it is rather surprising to find that this aggregate rate was higher in 1938 and 1939 than in any other year until 1962. Significantly, too, even the substantial increase in the unemployment insurance tax rate in 1962 and the rise in the old-age, survivors, and disability insurance rate in both 1962 and 1963 brought the 1963 employer tax rate measured against total payroll to a level only 17 percent higher than that in 1938 and 1939.

FUTURE RELATIONSHIP OF TAXES TO TOTAL PAYROLL

Question might be raised concerning the relationship of the social security taxes on employers to the total payroll under the ultimate tax rates now scheduled in the law. The contribution rate for old-age, survivors, and disability insurance is scheduled to be $4\frac{5}{8}$ percent for 1968 and thereafter. The Federal unemployment tax rate, in contrast, is scheduled to drop to $\frac{4}{10}$ of 1 percent in 1964. Admittedly, any answer might not have much significance because of the great likelihood of changing wage levels and of legislative changes relating to contribution rates and other provisions. Nevertheless, some brief analysis seems worth while because the scheduled increases in taxes seem almost certain to produce some increase in employer contribution rates measured against total payroll.

The ultimate tax charge to employers may be determined under the artificial assumption that the proportion of the total payroll that is taxable does not change in the future from the 1963 level and that the average State tax rate for unemployment insurance remains the same as in 1963. On this basis, the ultimate employer rate measured against total payroll would be 3.58 percent for old-age, survivors, and disability insurance and 1.58 percent for unemployment insurance, or a total of 5.16 percent. This rate represents a relative increase of about 10 percent from that for 1963 and about 33 percent from 1938 and 1939.

If it is assumed that wages rise in the next 5 years but that the maximum earnings bases and the contribution rates under both programs do not change, then the projected ultimate employer rate measured against total payroll would not be as high as 5.16 percent and the relative increases from the present rate and from the 1938–39 level would be less. Under these circumstances of rising wages and an unchanged earnings base, the need to rebuild unemployment insurance reserve funds would probably result in higher employer tax rates, when measured against total payroll.

SUMMARY

The relative impact on employers of the taxes for old-age, survivors, and disability insurance and for unemployment insurance was greater in 1938 and 1939 than at any time in the next 2 decades. In fact, in the late 1940's, it was only about half what it had been 10 years earlier. Even in the early 1960's the impact was no greater than that in the late 1930's, although in 1963 the balance has changed and the relative cost of the social security taxes has become about 20 percent greater.

If the ultimate rates now scheduled in the law are considered—and under the assumption that the proportion of the payroll that is taxable does not change—then the aggregate employer tax rate, when measured against total payroll, is relatively about one-third larger than it was in the late 1930's. Although this is a significant rise, it is much less than the increase in absolute monetary amounts.

Recent Publications*

WELFARE ADMINISTRATION

BUREAU OF FAMILY SERVICES. DIVISION OF MEDICAL CARE STANDARDS. *Dental Services.* (Medical Care in Public Assistance, Guides and Recommended Standards.) Washington: U.S. Govt. Print. Off., 1962. 7 pp. Limited free distribution; apply to the Bureau of Family Services, Welfare Administration, Washington 25, D.C.

BUREAU OF FAMILY SERVICES and CHILDREN'S BUREAU. *Guides for Field Instruction for Graduate Schools of Social Work, Field Experience of Undergraduate Students, and Summer Employment of Undergraduate Students,* by Anne Wilkens. Washington: Social Security Administration, Sept. 1, 1962. 33 pp.

Designed to help the States plan educational experiences for social work students. Limited free distribution; apply to the Welfare Administration, Washington 25, D.C.

CHILDREN'S BUREAU. *Selected Addresses: Children's Bureau's Fiftieth Anniversary Celebration, April 9, 1962.* Washington: The Bureau, 1963. 51 pp. Limited free distribution; apply to the Children's Bureau, Welfare Administration, Washington 25, D.C.

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Papers presented at a conference held in 1961 by the National Bureau of Economic Research in cooperation with the Merrill Center for Economics.

CURTIS, THOMAS B. *87 Million Jobs: A Dynamic Program to End Unemployment.* New York: Duell, Sloan and Pearce, 1962. 126 pp. $1.95.

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SEMINAR ON SOCIAL GROUP WORK WITH OLDER PEOPLE.

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