

Social Security Protection After Thirty Years*

THE ORIGINAL Social Security Act embodied a broad concept of social security. It provided programs not only for maintenance of income in the face of specified risks but also for expansion and improvement of public health and rehabilitation activities. The goal of economic security and social welfare became an active, high-priority concern of the Federal Government. At the same time continuing recognition was given to the role played by State and local governments and by voluntary agencies and the individual himself in achieving this goal.

The original provisions of the Act were, of course, shaped by the circumstances of the period—unemployment of one-fifth to one-fourth of the persons in the labor force and widespread destitution.

The 3 decades since passage of the Social Security Act have seen the population rise from less than 130 million to more than 190 million. The number aged 65 and over has increased almost two and one-half times to more than 18 million, and the number under age 18 has increased by roughly two-thirds to some 70 million. Men and women of working age (18-64) number about one-third more than in 1935, and the total now exceeds 100 million. The civilian labor force is approaching 75 million, compared with 53 million in 1935. Today's unemployment rate is roughly one-fourth as high as in the mid-thirties, though the present 5-percent rate remains a matter of great national concern.

The output of goods and services per capita (real gross national product) has risen to almost two and one-half times the total 30 years earlier. Disposable personal income per capita in 1965 prices is more than twice what it was in 1935. Instead of "one-third of a Nation ill-housed, ill-fed and ill-clothed," the Nation today counts less than one-fifth of the population as being in poverty.

In contrast to the situation in 1935, many of the poor (as now defined) receive payments under social insurance programs. Their benefits, how-

ever, are too small to bring them to the poverty margin. Public assistance is available in all localities, but standards are so low that the recipients—about 8 million now—must be counted among the poor.

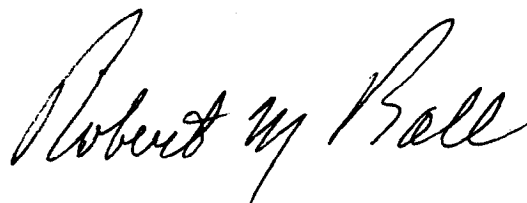
Against the background of change in the economic climate and the demographic characteris-

THE SOCIAL SECURITY PROGRAM AND ITS ADMINISTRATION

THE PAST THIRTY YEARS have seen the development of the social security program from a system providing old-age annuities for workers in industry and commerce to a social insurance program covering almost all persons who work for pay and providing family protection against the risk of income loss from death and permanent disability as well as old-age retirement. Now in this thirtieth anniversary year, we are adding health insurance protection for persons aged 65 and over.

The new amendments present an administrative challenge of major dimensions. The Social Security Administration has long-established relations with State agencies, with local community groups, with private pension plan managers, with the medical profession. Such relations will need to be expanded and strengthened as the new program goes into operation. All levels of administration in the Social Security Administration have a tradition as well as a policy of service to the public that should stand us in good stead as we begin to implement the new protections and to interpret them to the aged and their families.

The task of keeping social security responsive to changing economic and social conditions can never end. As our economy expands and levels of living generally rise, we can and should re-examine the level of income maintenance or income support we are providing for the aged, the disabled, and other groups, as well as other aspects of the existing programs. I trust that the Social Security Administration will always remain alive to the original and continuing objectives of the Social Security Act while developing further the administrative skills and attitudes necessary to the fulfillment of a public responsibility that affects just about every family in the country.



Commissioner of Social Security

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tics of the population, this article attempts to sketch trends in the protection provided against economic insecurity, first in general terms and then for the aged, the disabled, and the unemployed and for children with no father to support them.

Income-Maintenance Programs

The 3 decades spanning the operation of the Social Security Act have seen phenomenal increases in public income-maintenance programs.

TOTAL PAYMENTS UNDER PUBLIC PROGRAMS

For the fiscal year 1964-65, expenditures for cash benefits under public income-maintenance programs are estimated to top \$36 billion—about four times the amount paid out in 1949-50 and 10 times that in 1934-35 (table 1). These are impressive gains even when the changed value of the dollar is taken into account. In terms of constant 1965 dollars, the 1965 expenditures are three times those of 1950 and four times those of 1935.

When expenditures for associated medical services under the public income-maintenance programs are included, the total for the fiscal year 1964-65 exceeds \$39 billion, and the 3-decade increase is even greater than that for cash benefits alone. In the years since 1950, however, expenditures including medical services have increased at about the same rate as cash payments.

When the aggregate amounts are viewed as percentages of the gross national product, however, or in relation to the population the growth is much less dramatic. Expenditures under the programs were 5.6 percent of the gross national product in 1935, 3.8 percent in 1950, and, on the basis of preliminary estimates, 6.1 percent in 1965. On a per capita basis, in 1965 dollars, the increase was from \$71 in 1935 to \$84 in 1950 and \$198 in 1965.

Expenditures under the social insurance programs and the programs for veterans have outstripped by increasing margins spending for public aid (public assistance and work relief). Social insurance payments (including administrative expenses), which were only 0.6 percent in 1935 before the Social Security Act took effect, are expected to amount to 4.4 percent of the gross

national product in 1965. Almost the reverse trend is true of the public aid programs, which

TABLE 1.—Public income-maintenance program expenditures and individuals receiving payments, selected years, 1934-65

Program	Annual (fiscal year) expenditures ¹ (in millions)		
	1934-35	1949-50	1964-65 (preliminary)
Total expenditures.....	\$3,827.7	\$10,041.9	\$39,096.8
Cash payments, total.....	3,706.7	9,209.5	36,074.8
Social insurance	318.9	4,677.8	27,437.1
Old-age, survivors, and disability insurance ²		784.1	16,962.3
Railroad retirement.....		304.4	1,128.6
Public employee retirement ³	210.0	743.4	4,595.0
Unemployment insurance and employment service ⁴		2,311.5	3,047.0
Workmen's compensation (excluding medical care costs) ⁵	108.9	433.2	1,205.0
Temporary disability insurance (excluding medical care costs) ⁶		101.2	499.2
Veterans' pensions and compensation.....	390.2	2,092.8	4,076.3
Public aid (excluding medical care costs):			
Special types of public assistance ⁷	102.4	2,075.6	4,127.8
Other ⁸	2,895.3	363.3	433.6
Medical services, total.....	121.0	832.4	3,022.0
Workmen's compensation.....	65.0	193.0	570.0
Temporary disability insurance.....		2.2	55.0
Veterans' health and medical care.....	56.0	585.9	1,100.0
Vendor payments under public assistance.....		51.3	1,297.0
	Individuals receiving cash payments, December ⁹ (in thousands)		
	1934	1949	1964
Social insurance:			
Old-age, survivors, and disability insurance.....		2,743	19,800
Railroad retirement.....		370	886
Public employee retirement ³	197	580	2,075
Unemployment insurance ⁴		2,121	1,393
Veterans' pensions and compensation.....	914	3,314	5,053
Public aid (excluding medical care costs):			
Special types of public assistance ⁷	620	4,877	7,073
Other ⁸	10 6,489	1,337	778

¹ Includes administrative expenditures.

² Excludes net payments in lieu of benefits (transfers) under the financial interchange with the railroad retirement system.

³ Excludes refunds of employee contributions to those leaving the service; Federal expenditures include payments to retired military personnel and survivors. Data for administrative expenses not available for Federal non-contributory programs.

⁴ Includes unemployment insurance under State programs and programs for railroad workers, for Federal employees, for ex-servicemen, and for veterans (under the Servicemen's Readjustment Act of 1944 and the Veterans' Readjustment Assistance Act of 1952) and payments under the temporary extended unemployment insurance programs.

⁵ Cash benefits paid under Federal workmen's compensation laws and for under State laws by private insurance carriers, by State funds, and by self-insurers. Excludes administrative costs of State agencies before 1949-50 and all administrative costs of private insurance carriers and self-insurers. Beginning 1959-60 includes data for Alaska and Hawaii.

⁶ Cash benefits, including payments under private plans where applicable, in the 5 jurisdictions with programs. Excludes administrative expenditures of private plans underwritten by private insurance carriers or self-insured.

⁷ Includes old-age assistance, aid to families with dependent children, aid to the blind, and aid to the permanently and totally disabled.

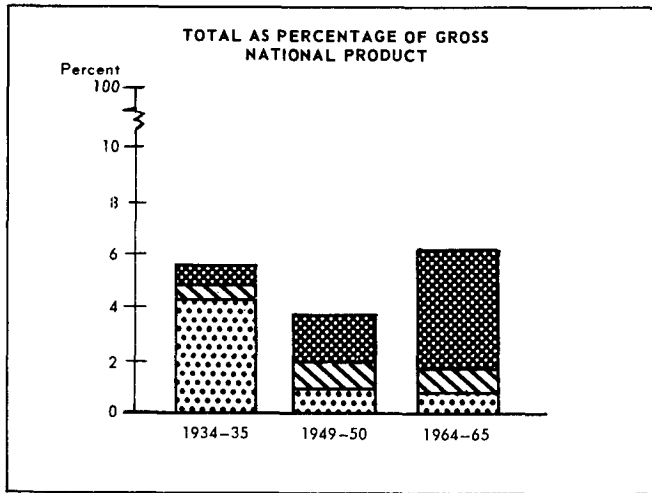
⁸ General assistance and for 1934-35, Federal Emergency Relief Administration and other work programs.

⁹ Data for workmen's compensation and temporary disability insurance not available.

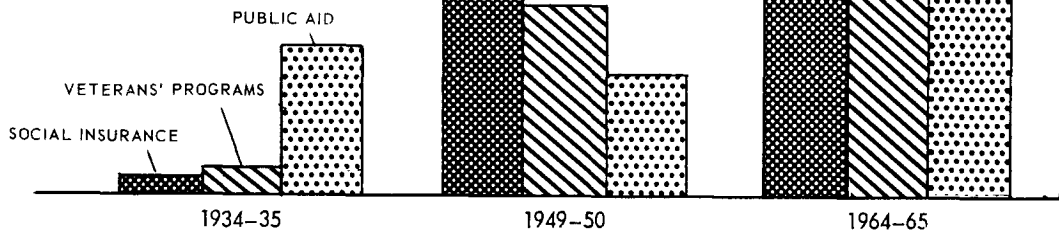
¹⁰ Number of cases; data on number of recipients not available.

EXPENDITURES UNDER PUBLIC INCOME-MAINTENANCE PROGRAMS

DOLLARS
(billions)



30
25
20
15
10
5
0



amounted to 4.4 percent of the gross national product in 1935 and 0.9 percent in 1965. Expenditures under these programs declined sharply with the termination of emergency work relief during World War II, and since 1950 they have remained relatively stable at less than 1 percent of the gross national product.

The increasing dominance of social insurance among the public income-maintenance programs is chiefly attributable to the accelerating growth since 1950 of the basic national program—old-age, survivors, and disability insurance (OASDI). The OASDI portion of total 1965 expenditures for cash benefits for public income maintenance is expected to be 47 percent, compared with less than 9 percent in 1950 and less than 1 percent in 1940, when old-age and survivor benefits were first paid.

With the growth of the OASDI program, public assistance has increasingly assumed a secondary, supplementary role in public arrangements for income maintenance. Thus, at the end of 1964, the 20 million OASDI beneficiaries outnumbered recipients of public assistance by a ratio of 2½ to 1. Only 15 years earlier the total number of assistance recipients was more than twice that of OASDI beneficiaries. Nevertheless, it is noteworthy that, despite the impressive growth in the number of OASDI beneficiaries, the total number of assistance recipients is larger than it was 15 years ago and has continued to climb.

The number of persons receiving payments under the veterans' pension and compensation programs has also increased. Among the public programs for protection against the risks of old age, survivorship, and disability, the veterans' programs—like public assistance—have declined sharply in importance.

EXTENT OF COVERAGE

Today almost every wage and salary earner and self-employed person—a total of 73 million—has social insurance protection against the basic risks of old age, long-term disability, and death of the breadwinner. About 9 in 10 of them are protected through the basic Federal OASDI program, others through programs for railroad workers or Federal, State, and local government employees. At the time the Social Security Act

became law, only relatively few individuals—chiefly government employees and teachers—had some measure of public protection against loss of earnings at retirement.

The original Act covered only employees in industry and commerce. Thus fewer than 6 out of every 10 workers in the labor force had the protection of this program.

Private group pension and deferred profit-sharing plans now cover some 25 million workers, or 46 percent of the private wage and salary labor force—almost 10 times the number in 1935. The number covered by these plans is not much more than half the number of employees in private industry with OASDI coverage. Long-service requirements, employee turnover, and lack of vesting mean that many of them will not actually receive pensions in old age. Primarily through group life insurance, the private plans supplement the survivorship provisions of the public programs for about four-fifths of all wage and salary workers.

Social insurance protection against long-term disability came much later than the retirement and survivorship provisions, but since 1957 coverage has been coextensive under OASDI. Moreover, about 15–17 million workers covered under private group-pension plans have some additional protection against total and permanent disability—compared with less than 1 million wage earners in 1934.

Almost 4 in every 5 wage and salary workers are protected against income loss in time of unemployment or in the event of work-connected injury or disability.

Public protection against non-work-connected, short-term illness was enacted in four States and for railroad workers during the 1940's. A number of workers in other States have obtained similar protection through collective bargaining agreements or welfare plans sponsored by employers. Most Federal, State, and local government employees have the protection of sick-leave provisions. It is estimated, however, that about two-fifths of the Nation's private wage and salary workers are still without public or private protection—either through insurance or formal sick-leave arrangements—against earnings loss resulting from short-term disability. There has been little change since 1955 in the proportion of wage earners protected against short-term sickness through their place of employment.

Among wage and salary workers, those most likely to lack protection against unemployment, work-connected disability, and short-term illness are employees of very small firms, domestic workers, and farm workers. Domestic and farm workers are the most likely also to be without protection at any given time against the risks of old age, total disability, and death of the breadwinner. The self-employed must make their own provision against earnings loss in the event of injury, illness, or business failure.

The value of the protection provided in any income-maintenance program is, of course, dependent on the level of benefits the program offers. In general, after certain unfortunate lags, benefits under OASDI and the other social insurance programs have kept pace with prices (table 2), but not with earnings.

Because the extension of various social insurance provisions is of recent date, there are at present many aged and many disabled persons who do not receive benefits because coverage was extended too late for them to have earned insured status under the OASDI program. This fact, together with the generally low levels of support and special medical needs, accounts for the sub-

stantial number in each group still on the assistance rolls.

Income Sources for the Groups at Risk

THE AGED

By the end of 1964, 13.5 million of the 18.2 million persons aged 65 and over in the United States were receiving OASDI benefits—77 percent of the men and 72 percent of the women—either as retired workers, their dependents, or the survivors of deceased workers. An additional 1.6 million persons aged 65 and over—1.3 million employed workers and 370,000 dependent wives—were eligible to draw OASDI benefits as soon as the worker retired.

From 5 percent to 6 percent of the 13.5 million persons aged 65 and over drawing OASDI benefits also received payments under another public retirement program and about twice as many received private group pensions. In all, there were about 1½ million aged persons, including some OASDI beneficiaries, receiving payments under

TABLE 2.—Average payments under old-age, survivors, and disability insurance, unemployment insurance, and public assistance, in December, selected years, 1940-64

Program	1940	1949	1950	1954	1959	1964
	Current dollars					
Old-age, survivors, and disability insurance:						
Average monthly benefit in current-payment status:						
Retired worker.....	\$22.60	\$26.00	\$43.86	\$59.14	\$72.78	\$77.57
Disabled worker.....					89.00	91.12
Aged widow.....	20.28	20.82	36.54	46.27	56.70	67.85
Widowed mother and 2 children.....	47.10	50.40	93.90	130.50	170.70	193.90
History of monthly old-age benefit of worker retiring in 1940.....	22.60	22.60	41.40	51.60	55.00	55.00
Unemployment insurance (State programs), average weekly benefit for total unemployment.....	10.75	21.31	20.77	25.22	31.91	36.81
Public assistance:						
Average monthly payment per recipient: ¹						
Old-age assistance.....	20.26	44.76	43.95	51.90	65.99	78.90
Aid to dependent children.....	9.85	21.70	21.13	23.96	29.03	33.85
Aid to the blind.....	25.38	46.11	46.56	56.37	71.31	85.80
Aid to the permanently and totally disabled.....			45.41	54.93	64.94	80.61
General assistance (per case).....	24.28	50.47	46.65	57.29	69.51	68.60
	1964 dollars					
Old-age, survivors, and disability insurance:						
Average monthly benefit in current-payment status:						
Retired worker.....	\$50.10	\$34.35	\$54.80	\$69.05	\$77.40	\$77.57
Disabled worker.....					94.65	91.12
Aged widow.....	44.95	27.55	45.65	54.00	60.30	67.85
Widowed mother and 2 children.....	104.35	66.65	117.30	151.35	181.55	² 193.90
History of monthly old-age benefit of worker retiring in 1940.....	50.10	29.90	51.70	60.25	58.50	55.00
Unemployment insurance (State programs), average weekly benefit for total unemployment.....	23.80	28.15	25.95	29.45	33.95	36.81
Public assistance:						
Average monthly payment per recipient: ¹						
Old-age assistance.....	44.90	59.20	54.90	60.60	70.20	78.90
Aid to dependent children.....	21.85	28.70	26.40	27.95	30.85	33.85
Aid to the blind.....	56.25	60.95	58.15	65.80	75.85	85.80
Aid to the permanently and totally disabled.....			56.70	64.15	69.05	80.61
General assistance (per case).....	53.80	66.70	58.25	66.90	73.90	68.60

¹ Except for general assistance, includes cases with vendor payments only.

² June 1964.

programs for railroad or government employees.

About 7 percent of the aged persons receiving OASDI benefits were also on the public assistance rolls—either because their incomes were below the standards of need set by their State of residence or because they had special medical care requirements. One-fourth of all aged nonbeneficiaries, by contrast, were on the assistance rolls. Since 1.6 million of the 4.6 million nonbeneficiaries were eligible for OASDI benefits, this proportion means that the 1.2 million assistance recipients represented two-fifths of those neither working nor eligible for OASDI benefits. Veterans' pension and compensation payments went to 8-9 percent of the aged.

In all, almost four-fifths of those aged 65 and over at the end of 1964 were receiving a social insurance benefit and 6 out of every 7 a payment under one or more public income-maintenance programs—that is, veterans' compensation or pension programs or public assistance, if not social insurance. This is a sharp contrast to the situation only 15 years earlier when the 1950 amendments to the Social Security Act were passed. Then less than one-fifth of the aged had income under social insurance and not much more than two-fifths received payments under any public program. At the end of 1934, it has been estimated, only 10 percent of the aged had income from these sources and about half of those aged 65 and over were mainly or wholly dependent on relatives and friends for their support.

Until late 1950 the old-age assistance program provided support to more persons aged 65 and over than any other program. Since then the old-age assistance rolls have declined from 2.8 million to 2.2 million—or to 2.3 million if those receiving medical assistance for the aged, a program enacted in 1960, are included. The great increase in the number of OASDI beneficiaries reflects, of course, the maturing of the program but more particularly the extension of coverage during the 1950's and liberalizations in the provisions with respect to work required for eligibility. Today about 92 percent of all persons are eligible to receive retirement benefits when they reach age 65.

Monthly benefits for workers who retired at or after age 65 have since 1958 ranged from \$40 to \$127. For all such workers on the rolls at the end of 1964, the average was \$88 for men and \$69 for women. According to the 1963 Survey of the Aged conducted by the Social Security Adminis-

tration, the benefit was practically the sole source of cash income for nearly one-fifth of the beneficiary couples and for more than one-third of the nonmarried beneficiaries who had been entitled to benefits for a year or more. There had been little improvement in this respect since 1957 and only a very slight gain since 1951, years when the income of aged beneficiaries was also studied. In 1962, it is estimated, one-third of the aged OASDI beneficiaries would have been in poverty were it not for their benefits. About two-fifths were below the poverty margin despite their benefits. In all, almost 7 million persons aged 65 and over were below the poverty line.

Early retirees make up a group that might be described as prematurely aged. Analysis of the sources of support for the aged has so far been limited to persons aged 65 and over because historical comparisons are possible only for that age group and because, for more than 20 years, the OASDI program defined the aged as those 65 years old and over and old-age assistance still uses that definition.

The 1956 amendments to the Social Security Act provided that women could draw benefits at age 62, reduced on an actuarial basis for each month before age 65 if they claimed benefits as wives of retired men or as retired workers in their own right (or without reduction if they were widows). In August 1961 a similar provision was enacted for men, primarily to aid the large number forced out of the labor market before the "normal" retirement age of 65.

The proportion of men taking advantage of the provision has rapidly increased. Slightly more than half the men awarded retirement benefits in 1964 chose reduced benefits. By the end of 1964, 18 percent of all retired men on the OASDI rolls were receiving benefits that had been actuarially reduced. Moreover, about 30 percent of the men aged 62-64 in the population in December 1964 were receiving OASDI benefits—nearly one-half million under the provisions for early retirement and about 140,000 under the disability provisions of the program.

In 1964 two-thirds of the women awarded retirement benefits on their own earnings records and 70 percent of those awarded wife's benefits took reduced benefits. At the end of the year nearly half of all retired women on the OASDI rolls and slightly more than half of those with wife's benefits were receiving payments that had

been actuarially reduced. Of all women aged 62-64, more than half were on the OASDI rolls, at the end of 1964.

Most of the men who apply for benefits at age 62-64 are in economically distressed circumstances. The median income of beneficiary couples and of nonmarried men in this age group was less than half that of nonbeneficiaries of the same age, most of whom were regularly employed. It was also less than that of beneficiaries aged 65-72 and about the same as that of the group aged 73 and over, whose earnings should have been at a peak during the years of the great depression.

Poor health and layoff together were reported as reasons for retirement by almost three-fourths of the beneficiaries aged 62-64, compared with fewer than half of those aged 65 and over, according to the 1963 Survey of the Aged. Conversely the proportion retiring voluntarily because they preferred leisure was almost twice as high among the older beneficiaries as among the younger group.

Considerable attention has been drawn to special early-retirement plans such as those negotiated by the Auto Workers (UAW) last fall. Data for the big three auto companies indicate a significant increase in the proportion of workers retiring early, as pension provisions have been liberalized during the past decade. Undoubtedly the trend will continue. But workers who retire under plans such as these represent only a tiny fraction of the aged.

Preliminary analysis of data on the work history of men who in 1962 and 1963 claimed OASDI benefits before age 65 shows that they had lower earnings and less regular employment than those who waited for normal retirement age and were likely to have been out of work for a time before they could claim benefits.

The 1961 provision permitting men to draw benefits before they reach age 65 clearly eased the way for workers forced out of the labor force prematurely. It may, however, be creating a new group of poor who will have many years in retirement with little income but a benefit, and that a relatively small one. Reduced benefit awards in 1964 were only about two-thirds as much as the benefit amounts payable to those who came on the rolls at age 65 or later—less than they can be expected to live on. As a result, many may sooner or later have to apply for assistance. Some, of

course, receive veterans' compensation or pensions, and some may receive public assistance before reaching age 65.

THE DISABLED UNDER AGE 65

There were more than 5 million disabled persons aged 14-64 in the population on an average day in 1964—that is, persons who were unable to work, attend school, keep house, or follow their other normal activities because of a temporary or permanent physical or mental incapacity. An estimated 3.3 million had been limited for more than 6 months in their ability to carry on their major activity because of a chronic illness or impairment—the “long-term disabled.” Many millions of others with chronic conditions were partially limited in the amount or kind of activity that they could pursue.

Long-Term Disability

Of the persons with long-term disabilities, an estimated 1.9 million or 57 percent were receiving cash benefits or payments from public income-maintenance programs in December 1964. Thirty years earlier only 230,000 persons, or a little more than 10 percent of the Nation's long-term disabled aged 14-64, were receiving support from public programs.

Largely responsible for this growth in protection is the OASDI program, which initiated payments to the severely disabled in 1957. At the end of 1964, almost 1.1 million persons were receiving disability benefits through the insurance system. This is almost twice the number—570,000—receiving public assistance under the Federal-State programs of aid to the blind and aid to the permanently and totally disabled.

Other public programs that provide disability protection are railroad retirement, public employee retirement systems, workmen's compensation, and veterans' compensation and pension programs. In December 1964, about 550,000 persons under age 65 were being paid benefits under these programs; 285,000, with ratings of 70-percent disability or more, were receiving a veterans' pension or compensation.

For the first half of the 30-year period under review it was the latter programs, especially those for veterans, which were the principal income-

maintenance programs for persons with a long-term total disability. In consequence, the proportion of persons with a long-standing disability that were affected by these programs remained at less than one-fifth during the 15 years.

With the establishment in the 1950's of two new income-maintenance programs of general scope for persons with prolonged disabilities, the protection of such persons, in terms of their receipt of cash payments, rose rapidly—from 18 percent in 1949 to 42 percent in 1959 and to 57 percent in 1964. The first of these programs was enacted in 1950; it made Federal grants available to the States for aid to needy persons who were permanently and totally disabled. Within the next half-dozen years, this public assistance program equaled the veterans' programs in number of beneficiaries.

The second new program, adopted under 1956 legislation, provided for the payment of insurance benefits under OASDI to severely disabled workers aged 50-64 and disabled persons—children of deceased and retired workers—whose disability had started before they attained age 18. (In 1958 the disabled children of disabled workers were also included.) By the end of 1959 the OASDI program was paying benefits to 415,000 disability beneficiaries or about one-third of all those receiving extended disability payments from a public income-maintenance program. Public assistance payments were going to 395,000 recipients and veterans' benefits to 330,000 persons (with disability rating of 70 percent or more).

In 1960 the requirement that the disabled worker under OASDI must have reached age 50 was removed, and benefits could be payable at any age under 65. As a result, OASDI in the following years supplanted the veterans' and public assistance programs as the basic program for payment of disability benefits. In December 1964, OASDI beneficiaries accounted for 56 percent of the 1.9 million persons with a long-term disability who were receiving payments under any public program and for about one-third of all persons aged 14-64 with long term disabilities.

If the count of the long-term disabled is confined to the "would-be" workers—that is, those who would be in the labor force but for their disability (estimated at about 2.3 million in December 1964)—then the proportion receiving benefits through the OASDI program would be about 45 percent (instead of one-third).

Of the 1.3 million "would-be" workers who were not getting disability benefits under OASDI, perhaps three-fourths had failed to meet the insured-status requirement of 5 years of covered employment out of the 10 years immediately preceding onset of disability. Some of these (perhaps half) were receiving benefits for long-term disability through a public program other than OASDI or public assistance. The remaining one-fourth were not receiving disability benefits primarily because of failure to meet the definition of disability in the Social Security Act.¹ For example, the disability, although lasting 6 months, may not have been considered indefinite or permanent in duration. Or the impairment may have been disabling enough to prevent engagement in the usual or regular occupation but not severe enough to preclude engaging in some type of substantial gainful work.

At the end of 1964, OASDI benefits for disabled workers averaged \$91 per month, considerably more than the average of \$78 for all retired workers. The difference is smaller when comparison is made with the average—\$83—for retired workers who waited until age 65 to claim a benefit. (Workers whose benefits were reduced because of early retirement were drawing only \$64 on the average.) The difference between average benefits for disabled workers and for those who retired at age 65 or later results from the fact that disability benefits are calculated on the basis of average earnings that are higher because they are more recent. Disabled workers, on the other hand, are twice as likely as the retired to have dependents. The family maximum is therefore more likely to affect the total family benefits of disabled workers than of retired workers.

Some disabled workers receive payments under private plans that provide cash pensions for total and permanent disability before normal retirement age, but usually with a minimum requirement of 15 years of service. Others benefit from provisions for paying the face value of group life insurance policies in monthly installments in case of total and permanent disability. Under group long-term disability policies, recently introduced, a few middle- and high-income employees receive

¹ Disability is defined as the inability to engage in any substantial gainful activity because of any medically determinable physical or mental impairment that can be expected to result in death or be of long-continued and indefinite duration.

benefits for total disability when they have exhausted their paid sick leave or short-term group accident and sickness benefits.

According to a survey conducted by the Social Security Administration in 1960 immediately before the age-50 limitation was removed, the economic impact of disability was relatively minor for married couples if the wife was the disabled worker because in most instances she had been a secondary earner. When the husband was the disabled worker, OASDI benefits made up about one-third of the family income and the wife's earnings another third. Nonmarried disabled workers were among the most economically disadvantaged members of the population, with heavy medical care needs and little to draw on except, for men, veterans' benefits.

Short-Term Disability

In addition to the 2.3 million "would-be" workers who were kept out of the labor force on an average day in 1964 because of a chronic illness that had continued for 6 months or more, an estimated 1 $\frac{3}{4}$ -2 million were prevented from working or seeking work as a result of short-term disability.

A combination of public and private measures is used to provide substitute income for many workers during periods of temporary sickness. Four States and the railroad industry have social insurance programs that provide workers partial compensation for loss of wages caused by temporary nonoccupational disability. In States not having compulsory temporary disability insurance laws, workers are often protected through their place of employment by group disability insurance or paid sick-leave plans sponsored by employers or established through collective-bargaining agreements. Some workers also secure a measure of protection through the purchase of individual accident and sickness insurance policies from private insurance companies.

Private wage and salary workers in 1964 had a potential income loss of about \$8 billion because of nonoccupational short-term sickness and injury (including the first 6 months of long-term disability). Less than one-fifth of this amount was replaced through benefits paid under private and public cash sickness plans (including sick leave). This ratio has shown hardly any change since

1957, although the preceding 10 years had seen a doubling in the proportion of lost wages replaced by benefits.

THE UNEMPLOYED

During 1964 an average of 3.9 million persons were employed, equal to 5.2 percent of the civilian labor force. This percentage, though the lowest in 7 years, is higher than those of most postwar years.

The Federal-State and railroad unemployment insurance systems represent the first line of defense in providing jobless workers with substitute income. At the end of 1964, about 48 million or almost four-fifths of all civilian wage and salary workers were covered by unemployment insurance, compared with about two-thirds at the end of 1939. The original Social Security Act covered firms employing eight or more workers. In 1954, Congress extended coverage, effective in 1956, to workers in firms that had 4-7 employees. It also extended coverage to Federal civilian employees, beginning in 1955, and to members of the Armed Forces in 1958. Still excluded from the Federal Act are agricultural workers, domestic servants, State and local government employees, and employees of nonprofit organizations. A few States have extended coverage beyond the Federal law to some of these occupations. At present, 24 States cover firms with fewer than four employees.

Unemployment benefits paid out in 1964 amounted to \$2.8 billion, as 6.0 million beneficiaries received at least one weekly benefit during the year. The average weekly benefit for total unemployment under the Federal-State program was \$35.96 in 1964. Despite the fact that this amount was three and one-half times as much as the 1940 average benefit of \$10.56, it represented a smaller proportion of weekly wages than the benefit when the program started. The average actual duration of benefits, however, was greater in 1964 (13 weeks) than in 1940 (10 weeks).

The enactment of unemployment insurance in 1935 was a natural consequence of the great depression, which saw unemployment reach a height of 11-13 million in 1933 and 1934. A tax-offset device in the Social Security Act effectively encouraged the individual States to set up their own unemployment insurance systems under Federal standards. By July 1937, all 48 States, Alaska

and Hawaii, and the District of Columbia had passed such legislation. Employer contributions were first paid in 1936 in half the States, but benefit payments were not available in all States until the summer of 1939. More than 5 million beneficiaries drew benefits in 1940 as unemployment hovered at the 8-9 million mark, and half of all claimants exhausted their benefits before finding another job.

As the economy swung into an all-out war effort the role of unemployment insurance changed. Benefit payments served primarily to tide workers over short periods of unemployment resulting from conversion from civilian to military production and from one type of war goods to another. Unemployment dropped to an unprecedented low of 670,000 in 1944; only 500,000 persons drew benefits in that year.

The postwar re-emergence of the business cycle focused attention increasingly on the function of unemployment insurance as a "built-in stabilizer" to maintain consumer expenditures during the cycle's downswing and to curtail the depth and length of a recession. Unemployment reached 4.7 million in the peak month of 1949-50, 3.7 million in 1953-54, 5.4 million in 1957-58, and 5.7 million in 1960-61. With unemployment insurance helping to serve as a prop to the economy, unemployment dropped off after each recession, though not to the previous low levels. During the recession years, the number of beneficiaries drawing unemployment insurance under State programs reached 6.5-7.8 million, in contrast to the relatively prosperous years when the range was from 4.0 million to 5.8 million.

Within the past decade, the persistence of long-term and hard-core unemployment led to the adoption of supplemental measures to assist the unemployed. A measure of the problem was the relatively high proportion of claimants who exhausted their benefit—more than a fourth for every year but one since 1958. Federal legislation was enacted during the 1958 and 1960-61 recessions that temporarily lengthened the period of payments by as much as 50 percent of the regular duration under the State law. In 1961, Congress extended the program of aid to dependent children to cover needy families with an employable parent. As of December 1964, 18 States, including the six largest, had adopted the new provision. Although there are general assistance programs in all States and most localities, families with

employable adults are not eligible for such assistance in 17 States.

The continued concentration of unemployment in chronically depressed areas and among young persons and technologically displaced workers has led to emphasis on training and retraining programs to help upgrade job skills. Through the Area Redevelopment Act of 1961 and the Manpower and Training Act of 1962, workers undergoing training have become eligible for cash allowances, including transportation and subsistence payments when training is at a facility outside the commuting area. At the end of 1964 about 50,000 trainees were receiving allowances totaling \$8 million a month.

The Economic Opportunity Act of 1964 emphasized the association of chronic unemployment and unemployability with low incomes and poverty. It authorized a job corps and work-training programs to provide work for young people and to assist them in completing their education, and it also authorized basic education and work training for public assistance recipients and others with low income.

Measures also have been adopted in private industry to provide income to workers who have frequent short-term layoffs or whose jobs have disappeared entirely because of changing technological and consumer demands. Supplemental unemployment benefit (SUB) plans were introduced under collective bargaining in the automobile industry in 1955 and soon thereafter in the steel, rubber, and other industries to ensure more nearly adequate payments for unemployed workers than those provided by the public system. In recent years these plans, which cover almost 2 million workers, have expanded in many cases to provide severance pay for permanently laid-off workers. Severance-pay plans have become more common than SUB plans. By the end of 1964, more than 3 million workers or two-fifths of all workers under union agreements were covered by severance-pay plans. Other recent developments have included the establishment of automation funds or the adoption of early retirement provisions under private pension plans to take care of older workers faced with technological unemployment.

The State unemployment insurance laws have constantly been improved with respect to amount and duration of benefits since the enactment of the Social Security Act. In 1939 the weekly maximum ranged from \$15 to \$18, with most

States providing a maximum of \$15 a week. By 1964 the maximum benefit varied from \$30 to \$55 (not including allowances for dependents provided in 11 States). Twenty-four States and the District of Columbia provided basic weekly maximums of \$40 or more. Similarly, in 1939 the maximum number of weeks a worker could receive benefits was 16 or less in 42 States. By 1964, all but three jurisdictions provided a maximum of 26 weeks or more; nine had a maximum exceeding 26 weeks.

Despite these improvements, it is estimated that unemployment insurance benefits are offsetting less than one-fourth of the loss of earnings due to unemployment. In the first place, only about half the unemployed are receiving unemployment insurance benefits. Those not receiving benefits include workers whose past employment was not covered by the program, persons who exhausted their unemployment insurance benefits, and new or recent entrants to the labor force who have not had enough work experience to qualify for benefits.

Secondly, for the great majority of unemployment insurance claimants, the weekly amounts received represent a replacement of less than the generally accepted 50 percent of average weekly wages in covered employment. The reason is that the statutory weekly maximums have lagged behind rising wage levels.

Finally, temporary measures that have been adopted for extending the duration of benefits during periods of recession do not meet the income-maintenance problem of the permanently dislocated worker with long attachment to the labor force, who because of obsolete skills or inadequate education has difficulty in finding employment in periods of prosperity as well as in recessions.

CHILDREN

Support in childhood is assumed in our society to be the responsibility of the parents, and our social insurance programs are intended to bridge the gap in the situations caused by the death, unemployment, disablement, or retirement of the father or working mother. Public assistance is intended as a backstop when social insurance does not meet pressing needs, either because benefits are too small or because the risk—as in the case of

divorce, desertion, or illegitimacy—has not been considered insurable.

It is more difficult to take the measure of our income-maintenance programs for children than for persons who are aged, disabled, or unemployed. It is estimated that 15 million children were in poor families in 1963; they represented one-fifth to one-fourth of all children in the population.

At the end of 1964 there were more than 70 million persons under age 18 in the population. About 150,000 had married and formed families of their own. About 300,000 were living alone or lodging, and an equal number were in institutions. More than 3 million lived with relatives but did not have either parent in the home. About 6 million had only the mother in the home. About 60 million lived with two parents, including step-parents and adoptive parents.

Children living with a mother and no father certainly live much more precariously than those supported by a man. They are almost three times as likely to be poor. There is evidence that children dependent for support on grandparents, aunts, uncles, or older siblings are economically as well as emotionally disadvantaged. The families they live with are more likely than other families to be poor.²

Few of the institutional arrangements for replacing a portion of earnings apply when the breadwinner subjected to the risks covered by social insurance programs is not the parent.

Children of the Unemployed

The number of children with an unemployed parent varies, of course, with the general level of unemployment. The actual figures are not generally known, though reasonable inferences can be drawn from information on the sex and family status of the unemployed. From a special tabulation for March 1964 it is known that, at that time, there were 2 million children with unemployed fathers and 300,000 with unemployed mothers who were heads of their families.

In the thirties, far more children were in need because of the widespread unemployment at that time than because of the death or absence of

² Mollie Orshansky, "Who's Who Among the Poor: A Demographic View of Poverty," *Social Security Bulletin*, July 1965.

the father, and the unemployment insurance and work relief programs were directed toward that problem. Unemployment and programs to replace earnings lost because of unemployment are, of course, still important for many children. Of those counted as unemployed in December 1964, 1.1 million were married men with wife present, and 300,000 were women who had been widowed, divorced, or separated. Both types of persons are likely to be responsible for the support of a number of children.

Only about half the unemployed draw unemployment insurance, as noted above, and the unemployment insurance laws of only 11 States (with about 22 percent of the unemployment insurance beneficiaries in 1964) now provide special allowances for dependents. When families are large, benefits are likely not to meet needs. As noted above, also, many States do not pay general assistance if there is an employable person in the household.

In May 1961 the program of aid to families with dependent children was expanded to include children in need because of the unemployment of a parent. At the end of 1964, however, only 67,000 families with 260,000 children were benefiting from this provision, and monthly benefits amounted to only \$33 per recipient (\$191 per family).

Paternal Orphans

When the Social Security Act was under consideration in the early 1930's there were about 2.8 million paternal orphans under age 18, compared with a total child population of about 42 million. By the end of 1949, when the child population had climbed to 47 million, the number of paternal orphans is estimated to have dropped to 2.0 million because of the improvement in mortality rates—despite the casualties of World War II.³

The number of paternal orphans at the start of 1965 is estimated at 2.4 million (including about 70,000 full orphans), or an even smaller proportion of the increased child population. There were also approximately 1 million maternal orphans at the beginning of 1965. Some children who have

³ "Orphanhood—A Diminishing Problem," *Social Security Bulletin*, March 1955, pp. 17-19.

lost a natural parent acquire new parents by direct adoption or remarriage of the surviving natural parent. They are counted in these data as having two parents.

Of the 2.4 million paternal orphans in the population at the end of 1964, about 1.7 million (and nearly half a million widowed mothers) received OASDI benefits.⁴ About 100,000 paternal orphans drew benefits as survivors of railroad or government employees, more than 600,000 received payments under a program providing pensions or compensation for survivors of veterans, and more than 200,000 children in about 80,000 families received payments under aid to families with dependent children. Many of the children received payments under several of these programs. Veterans of World War II are generally insured under OASDI. With 9 out of 10 workers now covered under the program, most children are eligible for social security benefits if the breadwinner dies. Roughly two-fifths of the survivor children on the assistance rolls receive OASDI benefits that require supplementation because they are too small to meet family needs or because the children have special needs.

The average benefit under OASDI in mid-1964 was \$194 for a widowed mother with two children—about two-thirds more than in 1950 in constant dollars, as a result of improvements in benefit provisions. Because of the family maximum, however, the average benefit was about the same when there were three or more children as when there were two.

Children of Disabled and Retired Workers

No insurance provision for dependent children was included in the original Social Security Act. The first amendments to the Act, in 1939, provided for benefit payments to dependents of deceased workers and of those who retired, and the 1958 amendments extended this protection to the wives and children of disabled workers.

⁴ Survivor benefits to children whose father has died continue even if the mother remarries. The OASDI program also provides for payment of benefits to her children when an insured married working woman dies, becomes disabled, or retires, but only if she has worked 1½ years out of the preceding 3 years or if the child's dependency on the mother is established. Thus, despite the growing number of married women who work, the support role of the father still receives more explicit recognition than that of the mother.

By the end of 1964, in addition to the 1.7 million children on the OASDI rolls because of the death of the father and the 100,000 receiving benefits because of the death of the mother, some 900,000 children (and 300,000 mothers) were receiving benefits because of the disability or retirement of a living parent—nearly 500,000 because of a disability. The total number of children who must look to a disabled parent for support is not now known. The Social Security Administration is undertaking a national sample survey of the disabled in 1966 that will, it is hoped, provide this information. The number of children with a father aged 65 and over is estimated at a quarter-million—but the number whose father (or mother) has been prematurely displaced because of age or lack of skill in a rapidly automating society cannot be determined.

In 1964, payments went to some 650,000 children of deceased veterans and also to about half a million children of living veterans with a service-connected disability rated at 50 percent or more. Payments were also going to the children of veterans (an unknown number) who had a non-service-connected disability and whose income fell below specified limits. The figures relate to children under age 18, although the program provides for payments to children in school to age 21 and to "helpless" children of any age. The provision for the latter group is somewhat analogous to that in the Social Security Act for persons aged 18 and over who are eligible for OASDI benefits as dependents of deceased, disabled, or retired workers, because their disability began before age 18.

Needy Children

When the Social Security Act became law, only about 280,000 children were in families receiving aid to needy children under State and local laws.

The Federal-State program of aid to dependent children established by the original Act was intended to meet the needs of children deprived of parental support by reason of death, absence, or incapacity. The first payments under the program were made in February 1936. By the end of 1939, about 760,000 children in 315,000 families were receiving payments. In the next 10 years the numbers doubled. The provision in the 1950 amendments for paying the mother or other relative caring for the child improved somewhat the situation of families with needy children, but the average monthly payment at the end of 1950 was very small—\$21 per recipient (\$26 in 1965 prices). By the end of 1964, when the number of children receiving aid to families with dependent children had climbed to 3.2 million (in 1 million families), average money payments were \$31 per recipient a month and vendor payments for medical care close to \$3.

Of the 3.2 million children receiving aid to families with dependent children, the father's unemployment accounted for only 8 percent, those on the rolls because of the father's death for only 7 percent, and incapacity of the father for about one-fifth. The others—about 2 million—were receiving aid for such reasons as illegitimacy, desertion, or the separation of the parents.

The program of aid to families with dependent children reaches about 600,000 more children under age 18 than the OASDI program, despite the rapid growth of the latter program, and nearly three times as many children under age 18 receive assistance payments as receive payments directly from the Veterans Administration programs. Very few child beneficiaries under OASDI receive public assistance in addition to their benefits, because of generally low assistance standards and because of maximum payment limitations in most States. The majority of children now receiving aid to families with dependent children are needy because of the father's absence for reasons that are not insured.