

The vigorous response of auto workers to the improved early retirement package (two-thirds either having retired or planning to retire early) would seem to imply that an increase in pension benefits will lead to a significant increase in early retirees. It is important to realize, though, that the increase in negotiated pension benefits provided by the 1964 agreement was indeed a substantial one, and it seems quite likely that a gradual improvement in pension levels, either through the social security mechanism or via private pensions, will not have such a dramatic impact on the number of early retirees. Given the "threshold" phenomenon discussed before, it is probable that a continuation of the present pace of OASDHI improvements and private pension expansion will have a notable effect on early retirement only after we are well into the 1970's. A speeding up of the early retirement process (beyond that which is apparently occurring now) would seem to require either large increases, generally, in retirement - income - maintenance schemes or a selective distribution of available funds among particular groups of workers.

A finding which certainly bears repeating is that retirement can, apparently, be a genuinely satisfying time of life for many, if not most, people. The design of the study renders this judgment somewhat tentative for national-sample respondents, but a reading of the auto worker responses leads one to believe that it certainly can be true for this type of mass-production-industry worker. And this is important to know, for some observers, noting the considerable increase in leisure time which future productivity increases likely will make possible, have questioned whether a choice to appropriate a large part of this increase to the retirement years would be wise. Juanita Kreps in particular has suggested the wisdom of "diverting more and more of our time to education, investments in education being the corollary of our high current growth, and the sine qua non of future, even higher, rates.⁵ Certainly the argument is a persuasive one. But the expressions of joy in the freedom of retirement on the part of a large majority of auto workers are also persuasive and should perhaps be con-

⁵ Juanita M. Kreps, "Lifetime Tradeoffs Between Work and Play" (paper delivered at the annual meeting of the Industrial Relations Research Association, 1968), page 17.

sidered when we arrange our priorities. At the least, further investigation into the satisfactions afforded by retirement would seem to be worthwhile before a decision on the allocation of leisure time is made.

Self-Employed Doctors of Medicine Under OASDHI *

Almost 140,000 self-employed doctors of medicine reported taxable earnings under old-age, survivors, disability, and health statistics (OASDHI) for 1965, the first year that physicians were covered under the program.¹ Their average net earnings from all sources was \$28,000, though nearly more than 11,000 reported total earnings of less than \$4,800, the maximum taxable amount for that year. Fifty percent of those reporting were aged 48 or over, 10 percent had reached age 65, and nearly 4 percent (about 6,000) were aged 72 or over.

By the end of the first year of coverage, a surprisingly large number (about 75,000) had earned sufficient quarters of coverage to be fully insured under the program. Their coverage, of course, has been acquired previously in another self-employed occupation or in wage-and-salary work.

Background

Social security coverage was extended to self-employed nonfarm and nonprofessional persons in 1951, and to self-employed farmers and certain professional people in 1955. In 1956, all the remaining professionals (lawyers, dentists, etc.) except physicians were brought under the program. Opposition on the part of members of the medical profession delayed their inclusion until 1965 when Congress, after studying recommen-

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¹ Limited data on wage and salary earnings of physicians in earlier years are included in the overall classification "medical and other health services" in *Workers Under Social Security, 1960* (Office of Research and Statistics, Social Security Administration, 1968), and its predecessor publication, *Handbook of Old-Age, Survivors, and Disability Insurance Statistics*.

dations of the Advisory Council on Social Security,² enacted legislation extending coverage to self-employed doctors of medicine on the same basis as other self-employed persons. The Advisory Council's recommendations were based primarily on the assumption that many doctors, especially those just starting out in their profession, have a need for coverage for themselves and their families as great as that of other self-employed people. It was also felt that failure to cover their self-employment income as physicians gave some doctors an unfair advantage under the program, since it was possible for them to acquire insured status through working for a time in covered employment at comparatively low average monthly earnings. As a result, they would receive the advantage of the weighted benefit formula intended for low-income persons and so receive a return out of proportion to their contributions.

This analysis excludes data on self-employed physicians who earned less than \$400 in self-employment net income or \$4,800 or more in taxable wages. In addition, some doctors may have been engaged in another type of self-employment as their principal business activity and so would not have been identified as doctors of medicine.

The data in the accompanying tables are estimates based on the 1-percent continuous work-history sample of the Social Security Administration, projected to the levels expected to be reached when all late returns have been received. More than 95 percent of the estimated amounts had been tabulated from tax reports received before the estimates were prepared. The amount of possible error from projection in major totals is therefore small.

General Characteristics

The median age of self-employed doctors reporting taxable self-employment income in 1965 was almost 48—considerable above the median age (37) of wage-and-salary-only workers but below that (about age 50) of all other self-employed

² For the Council's verbatim report, see the *Social Security Bulletin*, March 1965.

TABLE 1.—Number and percentage distribution of doctors of medicine reporting taxable self-employment income, by age, sex, and race, 1965

Sex and race	Total	Age in 1965			
		Under 45	45-59	60-64	65 and over
Number					
Total.....	139,300	60,300	55,600	10,200	13,200
Men.....	134,200	57,600	54,100	9,900	12,600
White.....	131,800	56,000	53,500	9,800	12,500
Nonwhite.....	2,400	1,600	600	100	100
Women.....	5,100	2,700	1,500	300	600
White.....	4,900	2,600	1,400	300	600
Nonwhite.....	200	100	100	(¹)	(¹)
Percentage distribution					
Total.....	100	43	40	7	10
Men.....	100	43	40	7	9
White.....	100	43	41	7	9
Nonwhite.....	100	67	25	4	4
Women.....	100	53	29	6	12
White.....	100	53	29	6	12
Nonwhite.....	100	50	50	(²)	(²)

¹ Less than 50.

² Less than 0.5 percent.

persons.³ About 57 percent of the doctors were aged 45 and over, and about 10 percent had passed age 65. In contrast, only 33 percent of covered wage and salaried workers had reached age 45 and less than 4 percent were aged 65 and over. Among all self-employed persons (excluding doctors) who submitted tax reports for 1965, about 64 percent were aged 45 or older and well over 11 percent had attained age 65. Women doctors comprised only a small proportion (under 4 percent) of all who submitted tax reports in 1965. The median age of the women doctors was about 42—over 6 years younger than men doctors.

As did women doctors, those identified as nonwhite were only a small fraction (less than 2 percent) of all doctors reporting in 1965. Of particular significance is the fact that the median age of this group was 35—almost 13 years younger than the median for white physicians.

Taxable Self-Employment Income and Wages

For social security purposes, the total taxable self-employment income a doctor could have

³ The median age for doctors reporting in 1965 was computed from unpublished detailed data; medians for the other groups are from the *1967 Annual Statistical Supplement* to the *Social Security Bulletin*, tables 37 and 42.

TABLE 2.—Number of self-employed doctors of medicine and average taxable earnings, by age and type of earnings, 1965

Type of taxable earnings	Age in 1965			
	Under 45	45-59	60-64	65 and over
Total.....	60,300	55,600	10,200	13,200
Self-employment income only:				
Number of doctors.....	48,400	47,800	9,000	12,000
Average earnings.....	\$4,745	\$4,740	\$4,640	\$4,155
Self-employment income and wages:				
Number of doctors.....	11,900	7,800	1,200	1,200
Average self-employment income.....	\$2,635	\$3,180	\$2,500	\$1,990
Average wages.....	\$2,050	\$1,585	\$1,920	\$2,530

reported for 1965 ranged from \$400 to \$4,800. The self-employed doctor who also received taxable wages could determine the amount of taxable self-employment income he could report by subtracting his total taxable wages from the maximum taxable—\$4,800. If, for example, his taxable wages were \$3,000, he could not report more than \$1,800 of self-employment income for social security purposes.

Taxable wages totaling \$42.4 million were reported by 22,000 doctors, or about 16 percent of those who submitted a social security tax report for 1965. Adding the average wages for this group—\$1,925—to their average self-employment earnings—\$2,760—brings their total average taxable earnings to \$4,705. The 117,000 medical doctors with taxable earnings from self-employment only (84 percent of the total number reporting) had average earnings of \$4,675, about \$50 less than those whose compensation included some wages.

Eighty percent of all tax reports submitted by physicians for 1965 show the maximum amount of \$4,800 in taxable self-employment income. From 5,000 to 6,000 doctors (4 percent of all those reporting) therefore had earnings from self-employment only that amounted to less than \$4,800. These physicians probably did not practice their profession for the full year.

Self-Employment Net Earnings

For social security purposes, self-employment net earnings exclude certain types of income, such as capital gains (or losses) and income (or losses) from certain types of transactions, though they

TABLE 3.—Self-employment net earnings of doctors of medicine by age, 1965

Age in 1965	Amount of self-employment net earnings	
	Total (in thousands) ¹	Average
Total.....	\$3,938,480	\$28,300
Under 45.....	1,736,497	28,800
45-59.....	1,795,209	32,300
60-64.....	239,219	23,450
65 and over.....	167,555	12,700

are counted for income-tax purposes. The average self-employment net earnings of physicians in 1965—\$28,300—was substantially greater than that shown for all covered self-employment. Among the 6.5 million self-employed persons (including medical doctors), the average reported self-employment net earnings was \$6,154.⁴

About 53 percent of the doctors reporting had net earnings in 1965 of \$25,000 or more; only 8 percent had less than the taxable maximum of \$4,800. The median self-employment net earnings of all physicians was just under \$26,000. Doctors aged 45-59 had the highest earnings, with 61 percent reporting net earnings of \$25,000 or more. Those under age 45 ranked second in total net earnings, and 57 percent of them earned

⁴ *Ibid.*, table 25.

TABLE 4.—Number and percentage distribution of self-employed doctors of medicine, by age and amount of self-employment net earnings, 1965

Net earnings from self-employment in 1965	Total	Age in 1965			
		Under 45	45-59	60-64	65 and over
		Number			
Total.....	139,300	60,300	55,600	10,200	13,200
Less than \$3,000.....	6,300	2,500	800	800	2,100
\$3,000-4,799.....	4,700	1,300	1,630	200	1,700
4,800-6,599.....	4,300	1,500	700	500	1,600
6,600-9,999.....	6,800	2,600	2,000	600	1,600
10,000-14,999.....	12,700	4,700	4,200	2,000	1,800
15,000-19,999.....	14,300	5,900	5,600	1,300	1,600
20,000-24,999.....	16,200	7,600	6,800	900	900
25,000 or more.....	74,000	34,200	33,900	3,900	1,900
		Percentage distribution			
Total.....	100	100	100	100	100
Less than \$3,000.....	5	4	1	8	16
\$3,000-4,799.....	3	2	3	2	13
4,800-6,599.....	3	2	1	5	12
6,600-9,999.....	5	4	4	6	12
10,000-14,999.....	9	8	8	20	14
15,000-19,999.....	10	10	10	12	12
20,000-24,999.....	12	13	12	8	7
25,000 or more.....	53	57	61	38	14

\$25,000 or more. Total net earnings of older doctors were significantly lower. Almost 30 percent of those aged 65 and over reported net earnings from self-employment of less than \$4,800 in 1965.

Quarters of Coverage

A quarter of coverage is a unit for measuring the extent of an individual's attachment to covered employment and his eventual entitlement to social security benefits. Generally speaking, a wage earner must earn a minimum of \$50 in covered employment during a calendar quarter, and a self-employed person must have minimum annual taxable earnings of \$400 to receive coverage for 4 quarters.

Because self-employed doctors of medicine were first covered under OASDHI for 1965, quarters of coverage credited to them before that year were earned in covered wage-and-salary employment or in another type of self-employment. The quarters of coverage shown in table 5 represent the cumulative number earned from January 1, 1937, through December 31, 1965.

Of all physicians reporting taxable self-employment income in 1965, the median number of quarters of coverage accumulated from 1937 to

TABLE 5.—Number and percentage distribution of doctors of medicine, by age and quarters of coverage earned through December 31, 1965

Cumulative quarters of coverage	Total	Age in 1965			
		Under 45	45-59	60-64	65 and over
Number					
Total.....	139,300	60,300	55,600	10,200	13,200
Less than 5.....	34,900	2,500	17,100	6,700	8,600
5-9.....	19,800	7,200	10,600	1,400	700
10-19.....	27,400	13,600	11,800	700	1,400
20-29.....	25,400	17,500	6,000	700	1,200
30-39.....	16,700	10,600	5,100	300	800
40 or more.....	15,100	8,900	5,000	400	700
Median.....	15	24	10	4	4
Percentage distribution					
Total.....	100	100	100	100	100
Less than 5.....	25	4	31	66	65
5-9.....	14	12	19	14	5
10-19.....	20	22	21	7	11
20-29.....	18	29	11	7	9
30-39.....	12	18	9	3	5
40 or more.....	11	15	9	4	5

1965 was 15. About 15,000, or 11 percent, had acquired the 40 quarters of coverage needed to be permanently insured. Those under age 45 had considerably more coverage credits—a median of 24—than did those in any other age group. Those aged 60 or older had very few coverage credits: 65 percent of the doctors in this age group had no previous covered employment. Of course, these doctors were all past age 30 when the social security program first became operative and generally speaking, were fully established in their profession.

Insurance Status

Insurance status, as used here, refers to the extent to which an individual has met the eligibility requirements for OASDHI benefits. Involved in the determination of eligibility are the total number of quarters of coverage and the dates they were acquired, as well as the age of

TABLE 6.—Number and percentage distribution of doctors of medicine, by age and insurance status for retirement and survivor benefits,¹ as of January 1, 1966

Insurance status	Total	Age in 1965			
		Under 45	45-59	60-64	65 and over
Number					
Total.....	139,300	60,300	55,600	10,200	13,200
Fully insured.....	75,000	45,500	21,000	2,000	6,500
Permanently insured.....	29,600	10,000	11,400	1,800	6,400
Not permanently insured.....	45,400	35,500	9,600	200	100
Currently insured only.....	3,200	700	2,200	300	(?)
Not insured.....	59,300	14,000	32,300	7,800	5,200
Deceased, benefit awarded.....	300	100	100	100	(?)
Transitionally insured.....	1,500	(?)	(?)	(?)	1,500
Percentage distribution					
Total.....	100	100	100	100	100
Fully insured.....	54	75	38	20	49
Permanently insured.....	21	17	21	18	48
Not permanently insured.....	33	59	17	2	1
Currently insured only.....	2	1	4	3	(?)
Not insured.....	43	23	58	76	39
Deceased, benefit awarded.....	(?)	(?)	(?)	1	(?)
Transitionally insured.....	1	(?)	(?)	(?)	11

¹ Disability insurance status not available.

² Less than 50.

³ Less than 0.5 percent.

the individual. The data do not include gratuitous coverage credits for military service performed before January 1, 1957, to which some doctors may be entitled.

About 54 percent of all medical doctors reporting in 1965 were fully insured—that is, they had enough coverage to be eligible for most types of benefits based on their earnings record. Twenty-one percent were permanently or fully insured for life: they either had earned at least 40 quarters of coverage or were fully insured in the year in which they reached age 65. More than 43 percent were not insured for any type of social security benefit, however.

Over three-fourths of the doctors under age 45 (45,000) were fully insured. About 10,000 of this fully insured group had earned 40 quarters and had thus achieved permanently insured status. The remainder had earned at least 1 quarter of coverage for each year elapsing after 1950 or after the year in which they attained age 21. Only 23 percent of the doctors under age 45 were uninsured for any type of benefit.

Of the older doctors (aged 65 and over), 49 percent were fully insured and, by definition, permanently insured. Thirty-nine percent were uninsured as of January 1, 1966, and most of these doctors were in the lower range of the group aged 65 and over.

Transitional Insured Status

The 1965 amendments to the Social Security Act also contained a provision that permitted older citizens, not otherwise insured, to acquire special fully insured status with less than 6 quarters of coverage. If a person who attained age 72 before 1969 had acquired at least 1 quarter of coverage for each calendar year after 1950 and up to the year he reached age 65 (62 for women) and had at least 3 quarters of coverage, he was considered transitionally insured. About 11 percent of the older doctors reporting in 1965 acquired transitional insured status because of the provision passed in that year and because they had then earned 4 quarters of coverage.

Recent Publications*

SOCIAL SECURITY ADMINISTRATION

BUREAU OF FEDERAL CREDIT UNIONS. *Regular Reserves of Federal Credit Unions*. Washington: U. S. Govt. Print. Off., 1969. 269 pp. \$1.75

Studies the role and adequacy of Federal credit union reserves.

SOCIAL AND REHABILITATION SERVICE

LEVINSON, PERRY. "The Next Generation: A Study of Children in AFDC Families." *Welfare in Review*, vol. 7, Apr. 1969, pp. 1-9. 35 cents.

Combines data from three studies to determine the long-range effects of public assistance on children of welfare families.

GENERAL

BECKERMAN, WILFRED. *An Introduction to National Income Analysis*. London: Weidenfeld and Nicolson, 1968. 254 pp. 35s.

CHRISTIE, NILS, ed. *Aspects of Social Control in Welfare States*. London: Tavistock Publications, 1968. 184 pp. \$8.25.

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Describes the pressures working against social action in America.

DOUGLAS, PAUL H., and POWELL, J. ENOCH. *How Big Should Government Be?* Washington: American Enterprise Institute for Public Policy Research, 1968. 212 pp. \$4.50.

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Analysis of problems encountered in the implementation of mental health programs.

FINK, ARTHUR E., and others. *The Field of Social Work*. (5th ed.) New York: Holt, Rinehart and Winston, Inc., 1968. 534 pp. \$7.95.

Deals with social work theory and practice in the present decade.

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