the amounts reimbursed generally increased with advancing age and at most ages were higher for men than for women. For the two race groups, these differences did not occur consistently. Both the rates of utilization shown in table 1 and average amounts reimbursed shown in table 2 are generally higher for the white population than for the population of other races. The differences in proportion of the population receiving reimbursed services, however, are larger than the differences observed in the amounts paid out for each person served.

TABLE 2.—Average amount reimbursed per person served under HI and/or SMI, by age, race, and sex, 1967

Age and sex	Total [1]				White				All other races			
	HI and/or SMI	Both HI and SMI	HI only	SMI only	HI and/or SMI	Both HI and SMI	HI only	SMI only	HI and/or SMI	Both HI and SMI	HI only	SMI only
All persons	$592	$1,101	$454	$90	$593	$1,104	$442	$90	$557	$983	$504	$86
65–66	496	980	404	81	496	984	376	81	530	950	552	83
67–68	521	1,007	417	86	519	1,007	398	86	570	1,018	522	86
69–70	530	1,033	394	87	530	1,036	370	87	527	949	557	83
71–72	560	1,076	422	87	559	1,078	404	87	559	994	509	86
73–74	574	1,092	414	90	576	1,099	406	91	535	951	458	82
75–79	624	1,135	447	92	627	1,140	439	92	564	986	468	87
80–84	693	1,203	521	98	699	1,210	522	98	574	1,000	470	92
85 and over	740	1,238	574	108	747	1,243	577	108	609	1,018	497	91
Men	647	1,127	450	92	648	1,132	436	92	634	1,035	526	92
65–66	567	1,045	424	85	568	1,053	386	84	629	986	614	104
67–68	586	1,060	420	90	582	1,061	391	90	672	1,078	616	89
69–70	601	1,091	412	91	599	1,093	388	91	623	1,019	569	95
71–72	622	1,104	440	90	621	1,105	415	90	626	1,044	595	87
73–74	640	1,148	389	93	644	1,157	383	94	589	979	407	78
75–79	680	1,154	455	94	681	1,158	445	94	624	1,013	476	92
80–84	738	1,204	520	101	743	1,209	523	100	642	1,088	435	105
85 and over	762	1,200	522	99	769	1,206	529	101	663	1,083	415	80
Women	554	1,080	457	89	554	1,082	447	89	497	936	481	82
65–66	438	918	383	79	438	919	336	79	441	910	464	70
67–68	471	959	414	84	471	960	405	84	480	952	417	84
69–70	477	984	377	84	478	988	352	85	451	880	544	76
71–72	517	1,054	405	85	515	1,055	394	85	508	955	403	86
73–74	528	1,047	437	88	528	1,051	429	89	498	930	506	84
75–79	586	1,120	440	91	589	1,126	433	91	522	964	461	84
80–84	664	1,202	522	97	669	1,210	522	97	521	924	501	84
85 and over	728	1,262	609	112	733	1,268	613	111	566	953	563	97

[1] Includes those for whom race is unknown.

Maximum Taxable Earnings Under OASDHI, 1938–69*

The social security program in the United States was from its beginning based on the principle of universal coverage—a principle now generally accepted throughout the world. In a compulsory system of social insurance, however, it appears necessary to limit the amount of benefits paid and the extent of the replacement of the worker's earnings. Thus an upper limit was placed on the amount of annual earnings to be taxed and credited toward social security benefits. The limit on the taxable amount was designed to assure that no one contributed directly more than the value of the protection he would receive.

About 97 percent of all covered workers earned

TABLE 1.—Changes in maximum taxable amount of earnings and the resulting percentage of total earnings taxable and percent of workers with all earnings taxed

Year	Taxable maximum		Percentage of total earnings taxable	Percent of workers with all earnings taxed	
	Amount	Number of years in effect		All workers	Male 4-quarter workers
1938	$3,000	14	93.0	97.1	93.9
1951	3,600	4	81.1	75.5	53.6
1955	4,200	4	80.3	74.3	53.5
1959	4,800	7	79.3	73.3	54.0
1966	6,600	2	80.0	75.8	56.2
1968	7,800	4 (through 1971)	81.9	78.7	60.6

* Prepared by Michael Resnick, Division of Statistics.

TABLE 2.—Estimated aggregate total earnings of all workers covered under OASDHI and percent taxable under specified annual limits

[Figures in italics represent coverage during the period of prevailing taxable limits]

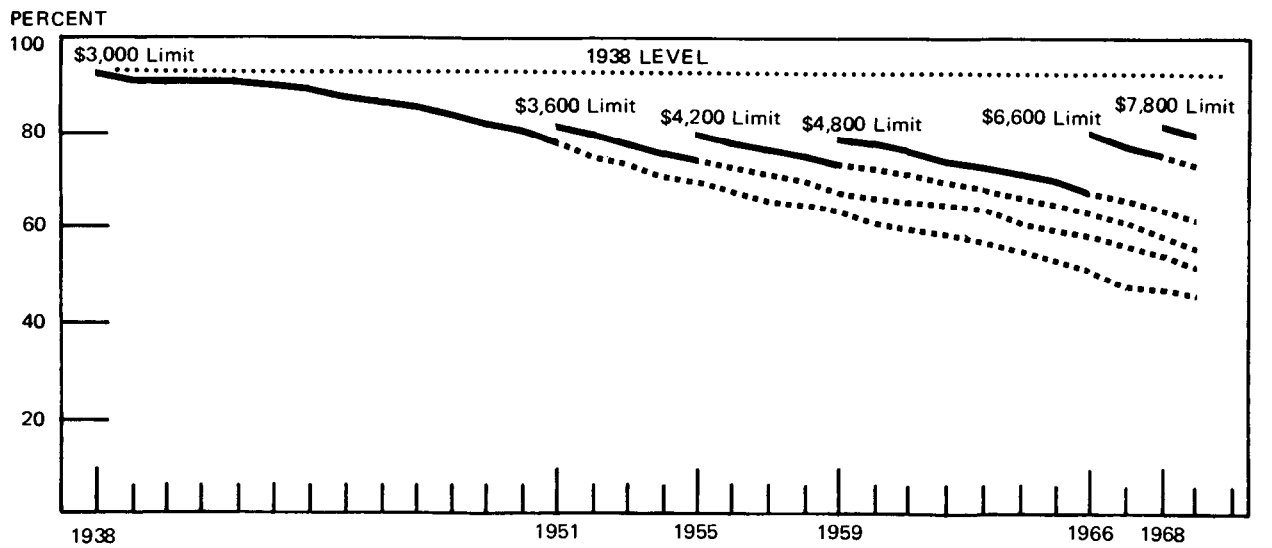
Year	Taxable limit in effect	Total earnings (in millions)	Percent of total earnings taxable under specified alternative limits								
			$3,000	$3,600	$4,200	$4,800	$6,600	$7,800	$9,000	$12,000	$15,000
1938	$3,000	$28,500	*93.0*	94.7	95.4	95.9	96.6	96.8	97.0	97.3	97.5
1950	3,000	109,804	*79.7*	85.6	88.7	90.4	93.2	94.1	95.3	95.6	96.3
1951	3,600	148,900	75.9	*81.1*	86.1	88.8	92.8	94.1	95.0	96.4	97.4
1952	3,600	159,900	74.1	*80.6*	85.2	88.1	92.5	93.9	94.9	96.3	97.3
1953	3,600	173,000	71.9	*78.6*	83.7	87.2	92.2	93.8	94.8	96.2	97.2
1954	3,600	171,900	71.2	77.7	83.0	86.4	91.5	93.1	94.2	95.8	96.8
1955	4,200	196,100	68.4	75.2	*80.3*	84.5	90.4	92.0	93.2	95.4	96.5
1956	4,200	216,800	66.2	73.2	*78.8*	82.9	89.7	91.9	93.2	95.3	96.4
1957	4,200	233,900	65.1	72.0	*77.5*	81.8	89.1	91.4	92.6	95.0	96.2
1958	4,200	235,600	64.1	71.0	*76.3*	81.0	88.6	91.2	92.8	94.9	96.1
1959	4,800	255,000	61.9	68.8	74.6	*79.3*	87.7	90.4	92.3	94.7	95.9
1960	4,800	265,200	60.5	67.5	73.3	*78.0*	87.1	90.1	92.0	94.6	95.8
1961	4,800	270,900	59.7	66.6	72.4	*77.4*	86.7	89.8	92.0	94.5	95.7
1962	4,800	289,100	57.7	64.5	70.4	*75.8*	85.2	88.7	91.0	94.2	95.6
1963	4,800	302,300	56.7	63.5	69.4	*74.6*	84.6	88.3	90.7	94.0	95.5
1964	4,800	324,500	54.2	61.2	67.3	*72.8*	83.5	87.8	90.1	93.6	95.4
1965	4,800	351,700	52.2	59.1	65.2	*71.3*	82.3	86.5	89.3	93.1	95.0
1966	6,600	390,700	49.9	57.4	63.1	68.4	*80.0*	84.9	88.2	92.2	94.2
1967	6,600	420,700	48.4	55.3	61.4	66.7	*78.4*	83.6	87.0	91.5	93.7
1968	7,800	459,100	46.2	53.0	59.0	64.3	76.3	*81.9*	86.0	91.1	93.5
1969	7,800	504,100	44.1	50.8	56.7	62.0	74.2	*80.1*	84.6	90.2	92.9

less than the first maximum taxable earnings limit ($3,000) and had all of their earnings credited toward future benefits. About 93 percent of aggregate earnings in covered employments were taxable under the first base.

After the passage of years, any fixed dollar amount comes to have a different significance in a dynamic economy where productivity is increasing and earnings levels are rising. As the purchasing power of benefits declined and the effect of the taxable limit on the proportion of earnings credited for benefits became more stringent, Congress acted six times (1950, 1954, 1958, 1965, 1967, and 1971) to raise the contribution and benefit base.

As noted in earlier studies, both the percentage of total earnings taxable and the proportion of workers with all earnings covered have been "losing ground" steadily since the early years of the social security program. The data indicate not only that the percentages declined during the base's effective years but also that for the first

CHART 1.—Proportion of total annual earnings taxable under alternative limits[1]



[1] Broken lines relate to years after effective period of taxable limit.

year of each new increase they continued at much lower levels than those at the time the program began.

Review of the effect of the taxable limit on earnings, in terms of the proportion of the total amount of earnings that are taxable and the proportion of workers who have all their earnings credited toward benefits, provides a useful measure for assessing the adequacy and scope, as well as the financing, of social security benefits. This article, continuing the series begun in 1966, presents data on the limits in effect through 1969.[1]

PERCENT OF TOTAL EARNINGS TAXABLE

The percentage of earnings that have been taxable has dropped from 93 percent under the $3,000 base in 1938 to a level of about 80 percent in the initial year of each new base. The $7,800 taxable maximum, effective at the beginning of 1968, covered about 82 percent of the total earnings of all workers under the program (table 1).

Data in table 2 and chart 1 show the percentages of taxable earnings under alternative taxable limits for all workers covered in specified years through 1969. The data indicate also what base would have maintained the higher percentages of taxable earnings. The table shows, for example, that to have restored the percentage of taxable earnings in 1938 under the $3,000 base, the base should have been about $6,600 in 1951, close to $9,000 in 1955, about $10,000 in 1959, over $13,000 in 1966, and about $15,000 in 1968.

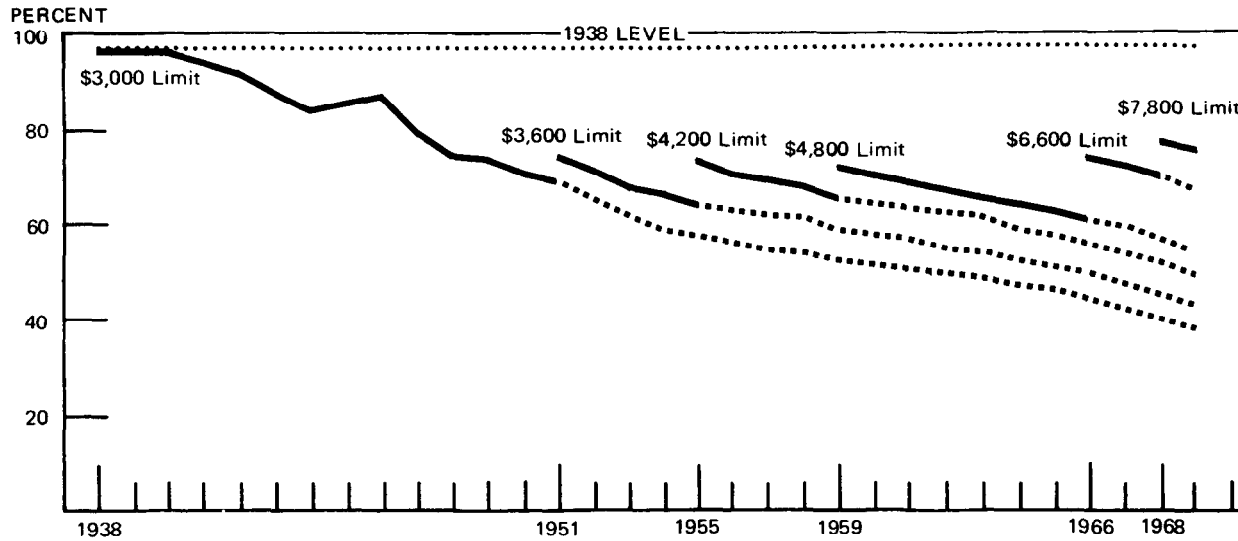
Data for 1968, as well as preliminary data for 1970 and 1971, reveal a typical falling-off of the percentage of total earnings taxable under the $7,800 maximum. The scheduled increase in the maximum, to $9,000 beginning with 1972 (written into the 1969 amendments to the Social Security Act), will restore the taxable proportion to about the 80-percent figure of the earlier revisions. Should a higher earnings base—such as the $10,200 maximum presently under consideration by Congress—be enacted, the percentage of taxable earnings would increase to about 83 percent in that year. Table 2 and chart 1 provide detailed data through 1969.

WORKERS WITH ALL THEIR EARNINGS TAXABLE

Under the $3,000 taxable limit on earnings in effect when the program began, the total wages of all but the most highly paid workers could be taxed and counted for benefit purposes. Between 1938 and 1968 the proportions of all workers and

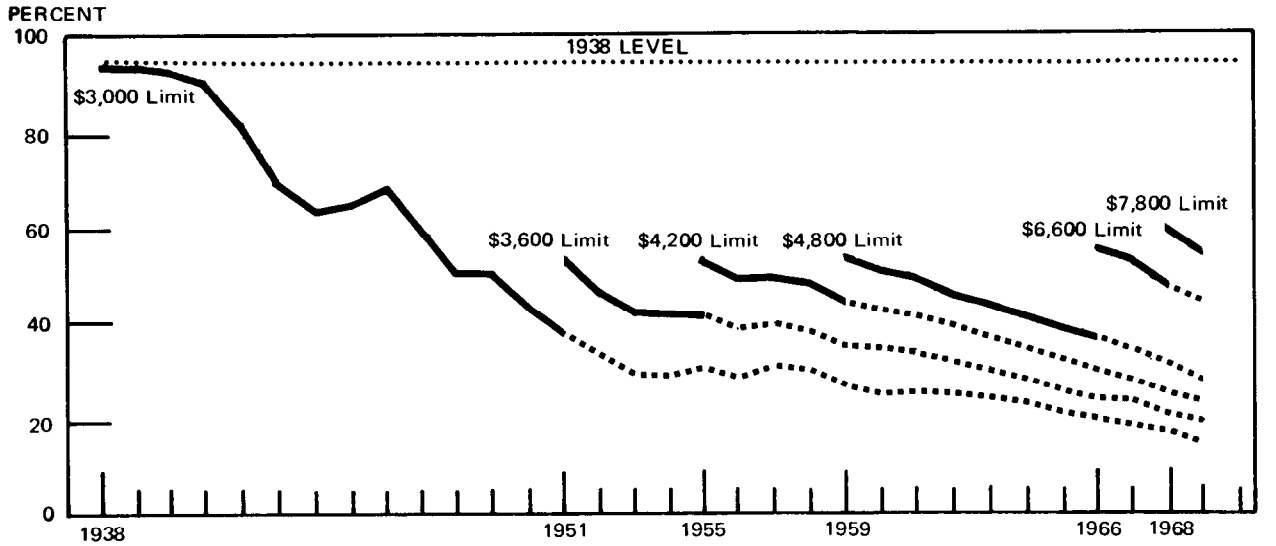
[1] For a description of the sources of data and related information in the first articles in this series, see Michael Resnick, "Annual Earnings and the Taxable Maximum for OASDHI," *Social Security Bulletin*, November 1966, and Michael Resnick, "Maximum Taxable Earnings Under OASDHI, 1938–66," *Social Security Bulletin*, October 1968.

CHART 2.—Proportion of all workers with annual earnings completely taxable under alternative limits[1]



[1] Broken lines relate to years after effective period of taxable limit.

CHART 3.—Proportion of male 4-quarter workers with annual earnings completely taxable under alternative limits[1]



[1] Broken lines relate to years after effective period of taxable limit.

of regularly employed men earning less than the taxable limit (that is, those who have all their earnings taxed) declined from about 97 percent and 94 percent, respectively, to levels of about 79 percent and 61 percent, respectively (table 1).

Charts 2 and 3, drawn from the data in tables 3 and 4, show the percentage of all workers and of regularly employed men (4-quarter wage and salary workers and all self-employed workers) with total annual earnings below the prevailing limits and below various alternative taxable limits. These percentages measure the relative size of the group of workers whose total annual earnings are used in the benefit computation. The rate of income replacement for the worker, represented by the ratio of his benefit amount to his average taxable earnings, declines as earnings rise and is lowest for workers with maximum average taxable earnings. Workers retiring with average earnings at the maximum receive benefits close to 42 percent of their average taxable earnings. When the benefit payments are related to the

TABLE 3.—Number of workers covered under OASDHI and proportion with annual earnings below specified amounts

[Figures in italics represent coverage during the period of prevailing taxable limits]

Year	Taxable limit in effect	Number of workers (in thousands)	Percent of workers with annual earnings below specified amounts								
			$3,000	$3,600	$4,200	$4,800	$6,600	$7,800	$9,000	$12,000	$15,000
1938	$3,000	31,882	*97.1*	98.4	99.0	99.4	99.8	99.8	99.9	99.9	99.9
1950	3,000	48,283	*71.1*	81.3	89.4	93.6	97.8	98.5	99.0	99.4	99.5
1951	3,600	58,120	66.1	*75.5*	83.4	89.5	96.2	97.6	98.3	99.1	99.3
1952	3,600	59,576	62.8	*72.2*	80.9	87.8	95.6	97.2	98.1	99.0	99.3
1953	3,600	60,839	59.6	*68.8*	77.4	84.7	94.7	96.8	97.8	98.9	99.3
1954	3,600	59,610	59.3	*68.4*	77.0	84.7	94.6	96.7	97.7	98.8	99.2
1955	4,200	65,203	58.4	66.7	*74.3*	81.3	93.8	96.6	97.7	98.7	99.1
1956	4,200	67,612	55.8	63.8	*71.5*	78.5	92.0	95.0	96.7	98.4	99.0
1957	4,200	70,590	55.0	62.8	*70.3*	77.1	91.0	94.6	96.4	98.3	98.9
1958	4,200	69,774	54.5	62.2	*69.6*	76.2	90.0	93.8	95.9	98.1	98.8
1959	4,800	71,695	52.2	59.7	66.7	*73.3*	88.2	93.0	95.4	97.8	98.7
1960	4,800	72,530	51.4	58.8	65.5	*71.9*	86.8	92.1	94.9	97.6	98.6
1961	4,800	72,819	50.8	58.0	64.6	*70.8*	85.9	91.7	94.4	97.4	98.5
1962	4,800	74,285	49.3	56.3	62.8	*68.7*	84.1	90.2	93.6	97.1	98.4
1963	4,800	75,537	48.6	55.5	62.0	*67.6*	82.9	89.1	93.0	96.9	98.3
1964	4,800	77,432	46.6	53.5	59.7	*65.5*	80.5	87.2	91.4	96.1	97.9
1965	4,800	80,681	45.4	52.1	58.2	*64.0*	79.2	86.5	91.0	96.0	97.8
1966	6,600	84,602	44.3	50.4	56.4	61.9	*75.8*	83.3	89.1	95.5	97.5
1967	6,600	87,100	42.7	48.8	54.8	60.2	*74.1*	81.8	87.8	94.8	97.1
1968	7,800	89,500	40.8	46.7	52.4	57.7	71.2	*78.7*	85.1	93.7	96.7
1969	7,800	92,800	39.3	44.7	50.2	55.3	68.5	*76.0*	83.0	92.6	96.0

TABLE 4.—Number of male 4-quarter workers covered under OASDHI and proportion with annual wages below specified amounts

[Figures in italics represent coverage during the period of prevailing taxable limits]

Year	Taxable limit in effect	Number of male 4-quarter workers (in thousands)	Percent of workers with annual wages below specified amounts								
			$3,000	$3,600	$4,200	$4,800	$6,600	$7,800	$9,000	$12,000	$15,000
1938	$3,000	14,864	*98.9*	96.7	97.9	98.7	99.5	99.7	99.8	99.9	99.9
1950	3,000	23,051	*48.2*	62.4	78.4	87.0	95.4	97.1	97.9	98.8	99.0
1951	3,600	29,253	38.5	*53.6*	68.2	80.0	92.8	95.5	96.8	98.2	98.7
1952	3,600	30,033	34.1	*47.9*	63.3	76.6	91.6	94.8	96.4	98.0	98.6
1953	3,600	30,713	30.0	*42.5*	57.0	70.6	89.9	93.8	95.8	97.8	98.5
1954	3,600	30,056	30.0	*42.2*	56.6	70.7	89.6	93.6	95.6	97.6	98.3
1955	4,200	34,060	31.9	42.2	*53.5*	65.3	88.7	93.5	95.8	98.0	98.7
1956	4,200	36,073	30.1	39.4	*50.1*	61.8	85.0	90.8	93.7	96.9	98.1
1957	4,200	38,982	32.1	40.7	*50.3*	60.7	84.3	90.5	93.6	96.9	98.1
1958	4,200	37,870	31.5	39.9	*49.1*	59.1	81.9	88.8	92.5	96.5	97.9
1959	4,800	38,651	28.6	36.5	44.9	*54.0*	78.8	87.4	91.7	96.0	97.6
1960	4,800	38,760	27.7	35.2	43.1	*51.6*	76.1	85.8	90.7	95.6	97.4
1961	4,800	38,922	27.6	34.8	42.3	*50.2*	75.0	84.9	90.1	95.4	97.3
1962	4,800	39,835	26.2	33.1	40.2	*47.6*	71.6	82.4	88.3	94.7	97.0
1963	4,800	40,257	24.9	31.6	38.4	*45.5*	69.1	80.5	87.1	94.1	96.7
1964	4,800	41,012	22.9	29.3	35.9	*42.5*	65.3	77.1	84.4	93.0	96.3
1965	4,800	42,415	21.1	27.3	33.5	*39.9*	62.7	75.6	83.5	92.6	96.0
1966	6,600	43,771	20.1	25.3	31.2	37.2	*56.2*	69.0	79.6	91.6	95.3
1967	6,600	44,700	19.3	24.1	29.6	35.2	*53.5*	66.3	77.2	90.2	94.6
1968	7,800	45,300	17.7	22.1	26.9	32.1	48.8	*60.6*	72.5	88.3	93.7
1969	7,800	46,200	16.3	20.5	24.8	29.4	44.6	*55.5*	68.5	86.1	92.5

total earnings of these workers, the rate of income replacement is much lower (averaging an estimated 27 percent for all workers with earnings above the maximum).

The consequence of allowing an earnings base to remain in effect for a number of years, or of not increasing the earnings base enough to reflect rising levels of earnings, is the accrual of maximum payable benefits for a rising proportion of beneficiaries. These beneficiaries—even though they are receiving maximum benefits—have proportionately less of their earnings replaced than those workers whose earnings were below the taxable maximum amount. The tendency towards the clustering of benefits at a fixed amount and the narrowing of the range of accrued benefits raise questions in an earnings-related system in which the benefit amount is intended to represent a reasonable replacement of earnings at retirement for all but the most highly paid workers.

Social Security Abroad

Introduction of Survivor Pension Program in India*

On February 13, 1971 the President of India issued an ordinance amending the Employees' Provident Fund Act and the Coal Mines Provident Fund Act to establish "family pension" (survivor pension) programs. This ordinance was enacted into law without change in April by the Indian Parliament. The legislation marks a significant point in the development of Indian social security by introducing for the first time the long-term protection of a pension benefit for the survivors of covered workers. The new law also initiates direct participation by the central Government in the financing of provident fund benefits. Separate "family pension funds" have been created within the Employees' and the Coal Mines Provident Funds by diverting a portion of the employee and employer contributions to which will be added a contribution by the central Government.

The Employees' Provident Fund and the employees' state insurance program (which provides

* Prepared by Dalmer D. Hoskins, International Staff, Office of Research and Statistics.