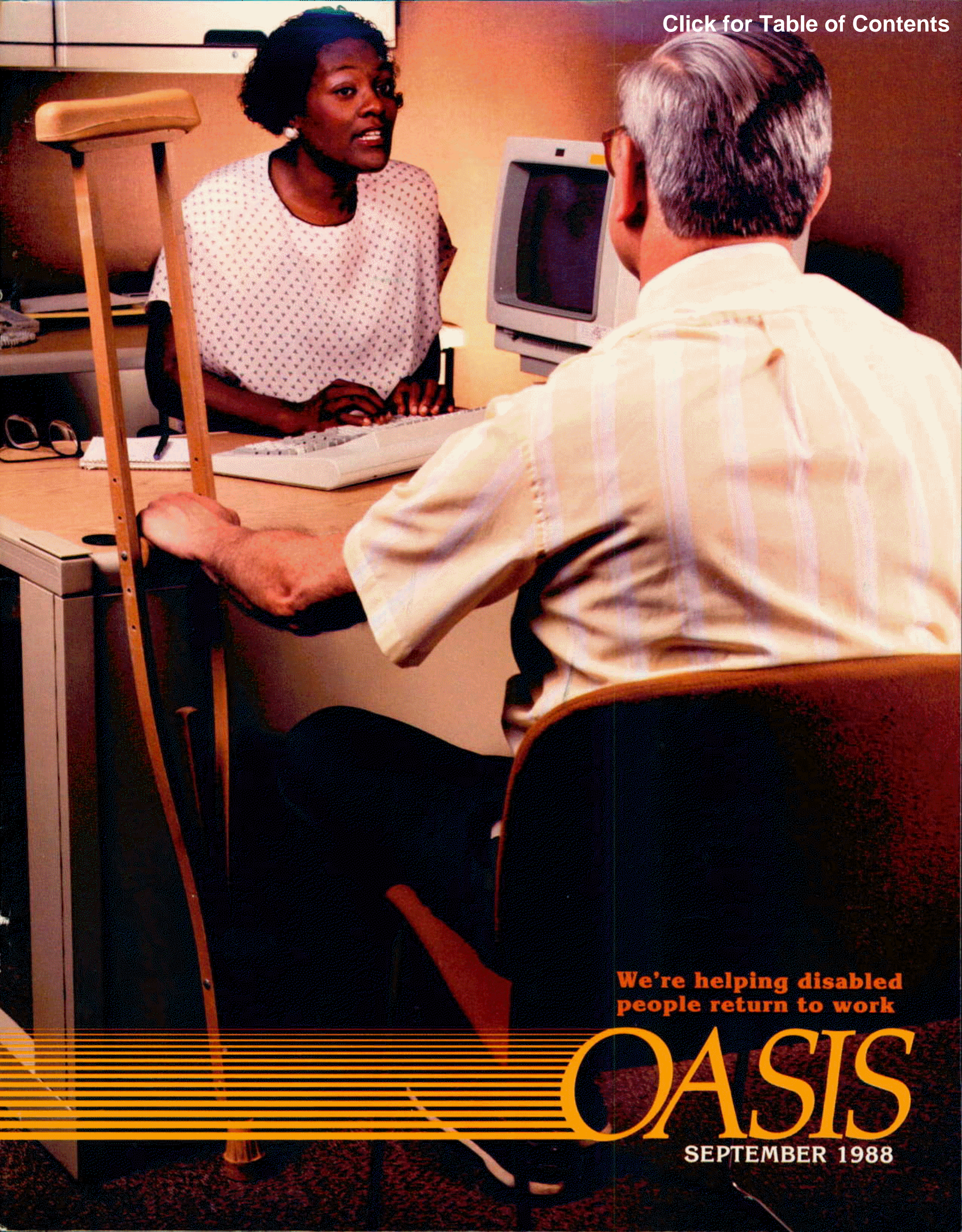


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**We're helping disabled  
people return to work**

**OASIS**

SEPTEMBER 1988

# Roots

(The basic provisions of the Social Security retirement and survivors insurance program have been in place for more than a half-century; the disability program is now over three decades old; and the Medicare program is rapidly approaching its 25th anniversary. It is not surprising that many of today's SSA employees, while very familiar with the title II provisions, know relatively little about the history and rationale behind these programs. This series of articles will, therefore, examine the roots of the Social Security program in America.)

It was not that long ago, back to America between the First and Second World Wars. It was a time within memory for most of our beneficiaries, a time when a number of our coworkers—those now in their 50s and 60s—were themselves born.

But, in looking back, the era seems farther away than two generations. The photos of the famous from that period seem dated and quaint—Charles Lindbergh, Babe Ruth, Herbert Hoover, Mae West, Bobby Jones, John Dillinger, Charlie Chaplin—and the major events of the time evoke only memories from old history texts—the Teapot Dome Scandal, the Bonus Army, the Crash of '29.

Even many of the commonplace events of life then would be considered unbelievable today. Infant mortality was high—with 67 deaths per 1,000 live births. Nearly as many people died of tuberculosis as of cancer. The average working wage in 1930 was only 56 cents an hour. The Immigration Act of 1924 banned entry into the country by persons of “non-Caucasian stock.”

Of more germane importance to us at SSA was the state of social insurance at that time. The needs and care of the elderly, of widows and their children, of the blind and disabled were largely left to charities or to local governments—usually counties. And there was not enough money to do much at all.

## Old-age insurance

Men did not retire. They worked until they were fired, died, or got too sick to show up for work. Few owned homes. Fewer still had life insurance policies. Most lived with children.

In fact, a lack of family distinguished the old people who ended up in poor houses from those who

escaped the poorhouse.

The word “poorhouse” itself has now passed from the vocabulary of most Americans. It is a word without context for us and conjures up no fears. But it was not always so. And it is only necessary to know what the poorhouse was like to understand why.

Harry Evans wrote in 1926 that “the poor farm is our human dumping ground into which go our derelicts of every description. Living in this mess of insanity and depravity, this prison place for criminals and the insane, are several thousand children and respectable, intelligent old folks, whose only offense is that they are poor.”

What had been the Federal Government's response to the plight of the elderly?

It was by and large a policy of benign neglect. The number of elderly Americans was comparatively small—about 5 million out of a population of about 110 million in 1920—and most were taken care of by their families. Too, the under-5 year old population of the country was twice the size of the over-65 population, and the efforts of most social reformers were directed first toward orphan laws, child-labor laws, and improved schooling opportunities.

At the local levels, government was beginning to take some responsibility for insuring adequate provisions for the aged.

Arizona and Alaska passed the first aid to the aged laws in 1915 (but the Arizona State Supreme Court then declared its law unconstitutional).

Frances Perkins is widely credited with development of the original proposals for old-age and unemployment insurance in this country. She spoke at SSA in 1962 and talked about the impetus

for creation of the original Social Security program.

“I've always said, and I still think we have to admit, that no matter how much fine reasoning there was about the old-age insurance system and the unemployment insurance prospects—no matter how many people were studying it, or how many committees had ideas on the subject, or how many college professors had written theses on the subject—and there were an awful lot of them—the real roots of the Social Security Act were in the Great Depression of 1929. Nothing else would have bumped the American people into a social security system except something so shocking, so terrifying, as that Depression.”

By 1932, 40 percent of the country lived in poverty. Ms. Perkins said that “Nobody could get a job. The grocer didn't employ young boys to deliver goods anymore. He couldn't afford to. The grocer himself finally went bankrupt and closed up. It went on like that all the time. One thing led to another. . . .”

Ms. Perkins credits the easy passage of the original Social Security Act to the politicians' fear of other, competing radical “plans” to aid the unemployed, elderly, and other unfortunates. “When I got to my office as Secretary of Labor in 1933,” she said, “I found on my desk over 2,000 plans. . . for curing the Depression.”

Most prominent among the plans advanced at the time was the Townsend Plan. The plan was developed by an out-of-work 66-year-old medical examiner in California. It called for every retired man and woman over 60 years of age to get \$200 a month for the rest of their lives. (This was just slightly below the average salary of a man working a 50-hour week in manufacturing and more



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than double the weekly wage for unskilled labor.) There was no needs or property limitations requirement in order to receive these payments. The beneficiaries of the money would be required to spend every dime within 30 days. This would then create jobs.

Ms. Perkins said that Townsend "was sorry for himself and the other old people, so he thought of his plan and started us all thinking.

"In particular, he startled the Congress of the United States, because the aged have votes. Evicted women and their children had very

few votes. If the unemployed didn't stay long enough in any one place, they didn't have a vote. But the aged people lived in one place and they had votes, so every Congressman had heard from the Townsend Plan people."

Ms. Perkins said that against this background the Roosevelt Administration was able to fashion a Social Security Act that garnered wide support. Two of the major provisions of the original Social Security Act dealt with the aged-Old-Age Assistance (needs-based), and Old-Age Insurance (the contributory pension system.)

The Old-Age Insurance provisions represented a moderate and very long-range solution to the problems of destitution among the aged. Firstly, no monthly benefits were to be paid until 1942 (6 1/2 years after passage) with the minimum benefit being \$10 per month. To qualify for as much as \$44 monthly a worker would have to earn \$3,000 per year for at least 10 years. Monthly benefits were only to be payable to the retired worker aged 65 or more-none to any dependents of a living or deceased worker.

Also, workers aged 65 or older

## The reason why

In the course of going about our daily work, it's sometimes easy to forget the "why" of things-the reasons for the many provisions of the Social Security law. Yet this understanding is important to our effectiveness as employees. In this series, OASIS provides answers to some basic questions about Social Security.

### ***Q. Why is a compulsory, contributory Social Security system needed?***

A. A system of contributory Social Security ensures orderly provision for the hazards of old age, disability and death. By making it compulsory and by spreading the risk among millions of people, those who do qualify are able to obtain much higher benefits than would be possible if the system were voluntary. The experience of voluntary systems-in other countries and in the private sector-shows that many people who need the protection do not enter such plans voluntarily.

### ***Q. Why not pay everybody a flat benefit instead of varying the benefits with the amount of wages and self-employment income?***

A. In keeping with the social insurance aspects of the program, the low-paid worker receives a higher benefit proportionate to the taxes he or she paid. To achieve some degree of individual equity, however, the program does pay higher benefits to those who have paid more taxes into the system.

### ***Q. Does the young worker get his money's worth from Social Security?***

A. To assess the overall value of Social Security, one must remember there is significant disability and survivors protection, as well as retirement benefits at age 62. A young worker's family has valuable protection in the event of the worker's disability or death. Even a single worker has disability protection, which would be very costly if purchased through a private insurance company. In many cases a young disabled worker receives in a few months more in benefits than he or she paid in taxes over the course of several years. Simi-

larly, the value of survivors protection may be well over \$100,000 in the case of a deceased worker with young surviving children.

And, it must be remembered that the retirement protection provides a firm income base upon which the young worker can begin to build a retirement income plan.

### ***Q. Is the goal of social insurance only to combat poverty, or is it intended to provide insurance income for workers at all income levels?***

A. Social Security has always been more than a program directed at the problem of poverty. It serves not only low-income people, but also provides a base on which middle-income and higher-income workers can build protection for themselves and their families. It is important that people be helped to live at levels above a minimum subsistence. Our social insurance system helps people do this by paying a benefit on past earnings and by providing a base upon which to build additional protection with savings and other investments. □

## Joe's a jack-of-all-trades **This volunteer rates Presidential praise**

were not covered by the Social Security Act. Those over 65 when it became effective for taxation in 1937 were excluded. Those under 65 on January 1, 1937 but who attained 65 before January, 1942 were covered but could not become entitled to monthly benefits. Instead, upon attainment of age 65, they received only a lump-sum payment equal to 3 1/2 percent of their covered earnings. Thus, the millions of aged poor at that time, plus all those aged 58-64, could receive no benefit from the Old-Age Insurance provisions.

The Old-Age Assistance program was considered as an intermediate solution to economic need but with immediate impact. Benefits were payable to needy persons aged 65 or older upon passage of the Act. Initial monthly payments per individual ranged from a pittance of \$3.58 in Mississippi to \$31.29 in California. The program was expected to phase out as the Old-Age Insurance program matured.

The vote was 371 to 33 in the House and 77 to 6 in the Senate. "One could hardly believe that (such a large margin) was possible," Ms. Perkins said.

Of course, before the first Social Security benefits were paid in 1940, the Social Security Act was amended to include retirement benefits for the worker's spouse, child's benefits, widow's benefits, and benefits for widowed mothers. Also, workers over age 65 were no longer excluded from covered employment; this provision was effective retroactive to January 1, 1939.

In the next OASIS article in this series, we will look at the need for, and the history behind, survivors benefits. □

"Your dedication to serving your community and your fellow man has helped to revitalize the spirit of voluntarism in our Nation. I commend the way you have shared your time and talents," said President Reagan in congratulating JOE MARCI for winning the 1987 President's Volunteer Action Award.

Joe, Insurance Programs Branch Chief, Denver Regional Office, spends 15-20 hours a week in volunteer activities aimed toward the community's youth. As a father of four-three girls, ages 21, 17, and 11; and one boy, age 15-Joe says that "I became a volunteer because my children participated in so many projects that I wanted to give the sponsoring organizations a helping hand.

"I remember that when I was a youngster, I played little league baseball and many people gave their time to help me. Giving my time and assistance today is my way of repaying them."

Joe added that his wife Kathy is also active in youth projects. "She is president of the elementary school's PTA and the 'chief fundraiser' for the local high school. We usually work on fundraising projects together."

Joe applies his talents to a variety of organizations. His activities include coaching youth softball, directing youth baseball/softball leagues, serving as an officer with a Denver Optimist Club, and helping with the Special Olympics. "My work with the Optimists included managing and coordinating the sale of Christmas trees. Over the years we've raised hundreds of thousands of dollars, which we contributed to community services."

One of Joe's favorite volunteer activities is the "Senior Citizen Paint-a-Thon Program." Joe explains: "Once a year between 80



and 100 business and other organizations each select a low-income senior citizen whose home is in need of painting and small repairs.

"On a designated day, members from each participating organization report for work at the home selected. They paint the house, do minor repairs, perform yard work-whatever is needed. It's a fun day, and it gives me a great sense of accomplishment."

Joe serves on the boards of directors for the Denver Bowling Association, the Young American Bowling Alliance, and the Catholic Youth Recreation Associations. "These groups sponsor events for over 10,000 youngsters each year," he said.

Of his work with Special Olympics, Joe says, "When I see the youngsters doing their best to complete a race and the smile that crosses their faces when they succeed, I feel great."

The Denver Region presented Joe with a Certificate of Appreciation for his service to the community-which Regional Commissioner Leza Gooden (pictured above) called "a model for all Federal employees. I can point to your service with pride as an example of the leadership Social Security employees take in helping to make their communities a better place to live." □