

Conclusion

In determining the optimum scale of insurance benefits and assistance grants, legislators and administrators need a clearer picture of the relationship between the operation of proposed policies and the maintenance of an adequate level of living. Since insurance payments are related to

wage loss and since aid to dependent children usually supports families with unemployable or partially employable workers, the most appropriate measure is usually the median level of private income or the way in which the average family actually lives. In any event, the relationship between income and budget costs needs to be considered. The effect of

the use of either of these measures should be appraised by knowledge of their interrelationship. For this reason, technicians should endeavor to increase the utility of both tools by continued analysis of their content and of the way in which their characteristics vary in relation to variations in total national income and to its geographic variation.

Employment and Earnings Under Old-Age and Survivors Insurance During the First Year of the War

By Jacob Perlman and Howard J. Kumin*

DURING 1942, the first full year of American participation in the war, an estimated 47 million persons had some employment in occupations covered by old-age and survivors insurance. This number was 14 percent more than the number of covered workers in 1941 and 32 percent more than that in 1940.

Taxable wages in 1942 are estimated at \$52.8 billion, or 26 percent more than in 1941 and 60 percent more than in 1940; they amounted to 80 percent of the estimated total wages and salaries paid in 1942 by all nonagricultural industries except government.

In the years 1937-40, business was climbing out of a long depression. Although 1937 was perhaps the best year between 1929 and 1940, business slumped badly in 1938 and had only partially revived when the war in Europe began in September 1939.

Shortly after the fall of France and the Low Countries in the spring of 1940, the United States undertook its national defense program, adopted the Selective Service Act under which men were first drafted in November 1940, and began to support with arms and other supplies the nations at war with the Axis countries. By these and other actions, the Government provided a succession of stimuli to business, which gathered momentum.

The formal entry of this country into the war in December 1941 threw the whole war-production program into high gear and gave an effective stimulus to increased employment and higher wages. The number of unemployed persons declined from approximately 8 million in June 1940, when

the defense program got under way, to only about 1.5 million at the end of the first full year of the war.

Changes in Characteristics of Persons in the Covered Labor Force

Between 1940 and 1942, the armed forces of the United States added 5.4 million persons, about 90 percent of whom came from the civilian labor force. Despite these withdrawals, the civilian labor force actually expanded because of delayed retirement of older workers and the employment of housewives, school children, and others not normally in the labor market, increasing by about half a million persons, or 1 percent, between 1940 and 1942. Nonagricultural employment increased 16 percent, while agricultural employment decreased 6 percent from 1940 to 1941 and showed no change from 1941 to 1942.

These shifts resulted in significant changes in the characteristics of the labor force, as shown particularly by comparison of the workers who received wage credits for the first time in the years preceding the war with those who entered covered employment during the first year of the war (table 1).

The proportion of women among workers entering covered employment

for the first time increased from 36 percent in 1940 to 48 percent in 1942. The demand for labor in manufacturing industries in 1942 also gave large numbers of Negroes, usually employed in noncovered employments, an opportunity to find jobs in the relatively high-paid covered occupations. For all workers, the proportion of new entrants who were under age 20 increased from 35 to 43 percent, and the proportion aged 40 and over, from 20 to 24 percent; but the group aged 20-39 years decreased from 45 to 32 percent. This decline was substantially a result of the withdrawal of men for the armed forces.

Changing from a peacetime to a wartime economy caused shifts in the distribution of workers among the various industries, which materially increased the proportion of the labor force engaged in covered employment. The expansion of manufacturing, for example, attracted workers from agriculture and domestic service, where rates of pay are low and there is usually a surplus of labor. These movements of workers increased the proportion of the total labor force in covered employment from about 48 percent in June 1940 to about 59 percent in June 1942.

The relative number of all white male workers with wage credits declined from 66 percent of the total number of persons in covered employment in 1940 to 62 percent in 1942 (table 2). The shift of a large number of Negroes to covered employment caused the percentage of Negro men to increase from 5.8 to 6.6 percent of

Table 1.—Percentage distribution of workers with first wage credits in 1940, 1941, and 1942, by sex, age, and race

Year	Total	Male	Female	Age (as of end of year)					Race		
				Total	Under 20	20-39	40-64	65 and over	Total	White ¹	Negro
1940.....	100.0	64.4	35.6	100.0	35.3	45.2	18.0	1.5	100.0	90.7	9.3
1941.....	100.0	62.4	37.6	100.0	40.5	40.5	17.7	1.3	100.0	90.0	10.0
1942.....	100.0	52.1	47.9	100.0	43.1	32.5	22.4	2.0	100.0	88.3	11.7

*Bureau of Old-Age and Survivors Insurance, Analysis Division.

¹ Represents all races other than Negro.

Table 2.—Percentage distribution of all workers with wage credits, by age, race, and sex, 1940, 1941, and 1942

Age, race, and sex	1940	1941	1942
Total.....	100.0	100.0	100.0
Under 20.....	8.4	10.7	13.3
20-29.....	34.6	33.7	29.7
30-39.....	25.0	24.2	23.9
40-49.....	17.1	16.7	17.1
50-59.....	10.3	10.2	10.9
60-69.....	3.9	3.9	4.4
70 and over.....	.7	.6	.7
White male ¹	66.5	65.6	62.3
Under 20.....	4.8	6.2	7.2
20-29.....	20.9	19.9	16.2
30-39.....	10.6	15.8	15.1
40-49.....	12.2	11.7	11.4
50-59.....	8.1	8.0	8.2
60-69.....	3.3	3.3	3.6
70 and over.....	.6	.6	.6
White female ¹	26.6	27.0	29.3
Under 20.....	3.2	3.9	5.1
20-29.....	11.4	11.1	10.7
30-39.....	6.3	6.3	6.7
40-49.....	3.0	3.0	4.2
50-59.....	1.6	1.6	2.0
60 and over.....	.5	.5	.6
Negro male.....	5.8	6.3	6.6
Under 20.....	.4	.6	.8
20-29.....	1.9	2.2	2.1
30-39.....	1.7	1.7	1.7
40-49.....	1.1	1.1	1.2
50-59.....	.5	.5	.6
60 and over.....	.2	.2	.2
Negro female.....	1.1	1.2	1.8
Under 20.....	.1	.1	.2
20-29.....	.4	.4	.7
30-39.....	.3	.4	.5
40-49.....	.2	.2	.3
50 and over.....	.1	.1	.1

¹ Represents all races other than Negro.

the total. For white women the increase was from 27 to 29 percent; for Negro women, from 1.1 to 1.8 percent.

The age distribution of all workers with wage credits in 1942 reflects the changes already noted in the age characteristics of new entrants.

With the development of the South and West as manufacturing centers, especially in the production of ships and aircraft, the geographic distribution of covered workers also changed. Though all regions of the country showed increases in the number of covered workers, the gains were relatively least in the Northeastern States; as a result, the proportion of workers in covered employment in the industrial States of the Northeast declined from 58 percent in 1940 to 56 percent in 1942 (table 3). In the South and West, newly built plants provided covered employment that had not existed previously for many thousands of workers in those States. In the Northeastern States, on the other hand, much of the war production was concentrated in existing plants converted from civilian production, and

the workers merely shifted from one type of covered employment to another.

In the new industrial localities, moreover, the expansion of covered employment attracted workers from wide areas. The proportion of workers in the country who received wage credits in two or more States (referred to here as migrants)¹ was almost twice as great in 1942 as in 1940—11.2 percent as against 5.9 percent. Migrants constituted 14 percent of all covered workers in the South and West, but only 9 percent in the Northeastern States. The South and West also accounted for the majority of migrants in 1942—53 percent as against 47 percent in the Northeast—although the South and West included only 44 percent of all covered workers in 1942.

Changes in Employment Experience of Persons With Wage Credits

The war also caused changes in the employment experiences of workers in covered employment—changes which have an important bearing on the operation of the old-age and survivors insurance program. As a result of the abnormal demand for labor and the shift of manpower from civilian pur-

¹ The term is used only in the sense that the worker had wage credits in 2 or more States during the year, not necessarily that there was a change in residence from one State to another, though many workers with wage credits in 2 or more States undoubtedly did have a change in residence. Workers living near State borders often take jobs in neighboring States as well as in their own, as illustrated by the many workers living in northern New Jersey who alternate between jobs in New Jersey and New York.

Table 3.—Percentage distribution of workers with wage credits, by geographic region, 1940, 1941, and 1942

Region	1940	1941	1942
United States.....	100.0	100.0	100.0
Northeastern States.....	58.1	57.2	55.7
New England.....	8.4	8.3	8.1
Middle Atlantic.....	26.6	25.5	24.7
East North Central.....	23.1	23.4	22.9
South and West.....	41.9	42.8	44.3
West North Central.....	7.3	7.3	7.3
South Atlantic.....	11.9	12.3	12.1
East South Central.....	4.9	5.2	5.3
West South Central.....	6.8	6.9	7.4
Mountain.....	2.5	2.4	2.6
Pacific.....	8.5	8.7	9.6

suits to the armed forces, new entrants, all of whom were uninsured, began to replace workers with long histories of covered employment and, in most cases, insured status.

In 1940, 18 percent of all workers with wage credits were either new entrants (13 percent) or persons who had returned to covered employment after an absence of a year or more (5 percent). In 1942, such persons comprised 22 percent of the workers with wage credits; the percentage of reentrants remained the same, while the proportion of new entrants had risen to 17 percent.

The reduction in the proportion of long-term workers was caused by their withdrawal from covered employment, largely because of the operation of Selective Service, and their replacement by new workers. The number of new entrants into covered employment increased 45 percent in 1941 over 1940 and 21 percent in 1942 over 1941. The percentage increase in the number of withdrawals was even greater. Between 1940 and 1941, for

Table 4.—Distribution of migrant¹ and nonmigrant workers and their average wage credits, by region, 1942

Region	Percentage distribution		Number of migrants as percent of all covered workers	Average wage credits	
	Migrants	Non-migrants		Migrants	Non-migrants
United States.....	100.0	100.0	11.2	\$1,288	\$1,105
Northeast.....	46.7	56.8	9.4	1,394	1,255
New England.....	6.9	8.2	9.5	1,362	1,219
Middle Atlantic.....	21.2	25.1	9.6	1,422	1,250
East North Central.....	18.6	23.5	9.1	1,374	1,273
South and West.....	53.3	43.2	13.5	1,184	907
West North Central.....	9.3	7.1	14.3	1,154	899
East South Central.....	6.7	6.1	14.2	1,113	757
South Atlantic.....	16.0	11.6	14.9	1,118	836
West South Central.....	7.1	7.4	10.8	1,154	763
Mountain.....	4.8	2.3	20.4	1,294	876
Pacific.....	9.4	9.7	10.9	1,359	1,194

¹ Workers with wage credits in 2 or more States.

example, the number of workers withdrawing from covered employment increased 75 percent, principally because of the entrance of 1.3 million men into the armed forces. In 1940, on the other hand, relatively few men entered the armed forces; Selective Service inductions in that year numbered only 19,000, as compared with 931,000 in 1941. There were 1.6 new entrants for every withdrawal in 1940 and 1.3 new entrants for every withdrawal in 1941.

The large proportion of new entrants into covered employment in 1942, as compared with 1940, was also one of the factors responsible for a decrease in the percentage of persons receiving wage credits in all 4 quarters of the year. In 1942, 53 percent of the workers with wage credits received taxable wages in all 4 quarters; for 1940 the corresponding figure was 58 percent. A comparison of the distribution of workers by yearly patterns of quarters in employment in 1942, as compared with 1940, shows that the greatest increase occurred in the groups which entered covered employment after the first quarter and worked "continuously" after that quarter; that is, in those groups with wage credits in the second, third, and fourth quarters, the third and fourth quarters, or the fourth quarter. Com-

paring the percentage distribution of "new" and "experienced" workers shows that it was chiefly the new workers who swelled the ranks of covered workers in the last part of 1942. Thus, among the 1, 2, and 3-quarter workers, 87 percent of the new workers had employment in the fourth quarter, as against 14 percent of the experienced workers. Only 9 percent of all new workers had employment in all 4 quarters, however, as against 63 percent of the experienced workers. Conversely, among the 1, 2, and 3-quarter workers, 23 percent of the experienced workers had employment in the first quarter, as against 8 percent of the new workers (table 5).

Workers with consecutive patterns of quarters in employment predominate over those with broken patterns. Among the 3-quarter workers in 1940, 13 percent of all workers had wage credits in either the first, second, and third quarters or the second, third, and fourth quarters, as against 2.7 percent with wage credits in the first, second, and fourth quarters or the first, third, and fourth quarters. In 1942, the greater availability of employment increased the percentage of workers who worked in a continuous stretch of quarters.

Except for the differences already noted, the distribution of workers by

Table 6.—Percentage distribution of all workers and 4-quarter workers, by amount of taxable wages received in 1940 and 1942

Amount of taxable wages	1940		1942	
	All workers	4-quarter workers	All workers	4-quarter workers
Total.....	100.0	100.0	100.0	100.0
\$1-199.....	22.8	2.1	20.7	1.1
200-399.....	10.8	6.1	10.5	3.0
400-599.....	9.6	9.0	8.0	4.9
600-799.....	10.2	13.1	7.3	7.5
800-999.....	8.7	12.3	7.2	9.5
1,000-1,199.....	7.4	11.1	6.4	9.4
1,200-1,399.....	6.6	10.3	5.5	8.6
1,400-1,599.....	5.5	8.9	4.8	7.9
1,600-1,799.....	4.3	7.0	4.4	7.5
1,800-1,999.....	3.6	5.9	4.1	7.2
2,000-2,199.....	2.5	4.2	3.7	6.5
2,200-2,399.....	1.7	2.8	3.1	5.6
2,400-2,599.....	1.3	2.1	2.7	4.8
2,600-2,799.....	1.0	1.6	2.2	4.0
2,800-2,999.....	.7	1.1	1.9	3.3
3,000.....	3.3	3.4	7.5	9.2
Male.....	100.0	100.0	100.0	100.0
\$1-199.....	10.5	1.6	15.6	.8
200-399.....	9.4	3.7	8.7	2.1
400-599.....	7.9	6.1	6.9	3.3
600-799.....	8.4	9.3	6.1	4.5
800-999.....	8.0	10.3	5.7	5.8
1,000-1,199.....	7.9	11.1	5.6	6.7
1,200-1,399.....	7.7	11.5	5.5	7.4
1,400-1,599.....	6.9	10.6	5.4	8.0
1,600-1,799.....	5.5	8.7	5.4	8.5
1,800-1,999.....	4.7	7.5	5.4	8.7
2,000-2,199.....	3.4	5.4	5.0	8.2
2,200-2,399.....	2.3	3.7	4.4	7.3
2,400-2,599.....	1.7	2.7	3.8	6.4
2,600-2,799.....	1.3	2.1	3.1	5.3
2,800-2,999.....	.9	1.4	2.7	4.5
3,000.....	4.5	4.4	10.8	12.4
Female.....	100.0	100.0	100.0	100.0
\$1-199.....	31.0	3.8	31.8	2.0
200-399.....	14.4	9.3	14.5	5.4
400-599.....	14.1	17.5	10.6	9.5
600-799.....	14.9	24.2	10.0	15.3
800-999.....	10.6	18.4	10.3	19.8
1,000-1,199.....	6.3	11.2	8.3	17.0
1,200-1,399.....	3.7	6.8	5.6	11.9
1,400-1,599.....	2.1	3.5	3.5	7.6
1,600-1,799.....	1.0	1.9	2.2	4.7
1,800-1,999.....	.7	1.2	1.3	2.9
2,000-2,199.....	.4	.7	.7	.4
2,200-2,399.....	.2	.4	.4	.3
2,400-2,999.....	.3	.4	.4	.4
3,000.....	.3	.4	.4	.4

Table 5.—Percentage distribution of workers by pattern of quarters with wage credits, for each specified employment experience and sex, 1940 and 1942

Yearly pattern of quarters with wage credits	Total				Male				Female			
	1940	1942			1940	1942			1940	1942		
		Total	"Experienced" workers ¹	"New" workers ¹		Total	"Experienced" workers ¹	"New" workers ¹		Total	"Experienced" workers ¹	"New" workers ¹
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
4 quarters.....	57.9	53.2	62.7	8.7	59.6	56.8	64.0	9.9	53.2	45.4	59.3	7.5
3 quarters.....	16.0	16.4	16.0	18.2	16.0	16.9	16.5	20.0	16.2	15.1	14.7	16.1
1st, 2d, 3d.....	8.8	7.8	9.0	1.9	8.7	8.9	9.9	2.3	8.9	5.3	6.8	1.4
2d, 3d, 4th.....	4.5	6.1	4.2	15.1	4.6	5.6	4.0	16.2	4.3	7.1	4.5	13.6
1st, 2d, 4th.....	1.3	1.3	1.5	.6	1.3	1.2	1.3	.7	1.5	1.5	1.9	.6
1st, 3d, 4th.....	1.4	1.2	1.3	.6	1.4	1.2	1.3	.8	1.5	1.2	1.5	.5
2 quarters.....	12.3	14.7	11.2	30.9	11.7	13.4	10.6	31.9	13.8	17.5	13.0	29.7
1st, 2d.....	3.5	4.6	5.2	1.8	3.3	4.7	5.2	1.9	4.0	4.3	5.4	1.6
2d, 3d.....	2.2	2.2	1.4	5.8	2.2	2.1	1.4	6.8	2.1	2.4	1.5	4.8
3d, 4th.....	4.7	6.3	3.1	21.3	4.4	5.1	2.0	21.2	5.8	8.9	4.3	21.5
1st, 3d.....	.5	.4	.4	.3	.5	.4	.4	.3	.5	.4	.4	.2
1st, 4th.....	.9	.7	.8	.5	.8	.7	.7	.5	.9	.9	1.0	.4
1st, 2d, 4th.....	.5	.5	.3	1.2	.5	.4	.3	1.2	.5	.6	.4	1.2
1 quarter.....	13.8	15.7	10.1	42.2	12.7	12.9	8.9	38.2	16.8	22.0	13.0	46.7
1st.....	3.2	4.3	4.8	2.0	3.0	4.3	4.6	2.3	4.0	4.3	5.3	1.6
2d.....	1.6	1.4	1.0	3.6	1.6	1.3	.9	3.8	1.6	1.8	1.2	3.4
3d.....	3.0	2.8	1.4	9.3	2.8	2.4	1.2	10.0	3.7	3.7	2.0	8.5
4th.....	6.0	7.2	2.9	27.3	5.3	4.9	2.2	22.1	7.5	12.3	4.5	33.2

¹ Having wage credits in 2 or more years.

¹ Having wage credits for the first time.

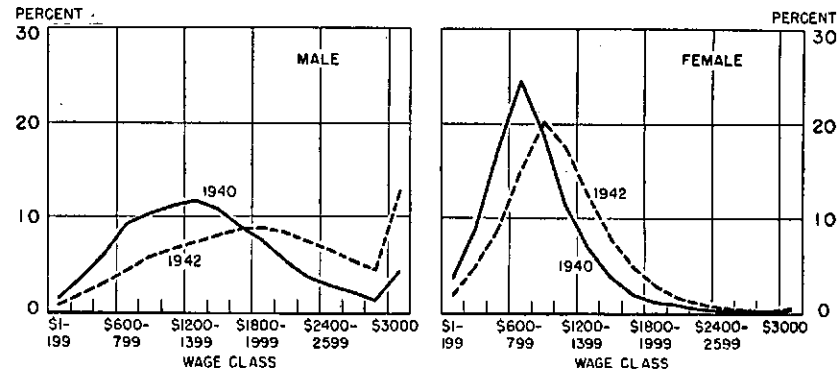
number and pattern of quarters in employment was about the same in 1942 as in 1940. More than half the workers received taxable wages in all 4 quarters; the remainder were about equally divided among those with only 1, 2, or 3 quarters of wage credits in the year. Relatively more men than women had wage credits in all 4 quarters, the percentages being 57 and 45, respectively, in 1942. Among Negroes, the percentages with wage credits in all 4 quarters were 49 for the men and 26 for the women. A substantial proportion of all persons with some covered employment in 1942 had not worked steadily throughout the year, even when their covered employment is measured by so gross a yardstick as receipt of \$1 or more in taxable wages in a calendar quarter.

There were relatively more young persons among the workers with wage credits in only 1, 2, and 3 quarters in 1942 than among those with wage credits in all 4 quarters. The median age was 35 years for the 4-quarter workers, 31 years for 3-quarter workers, and about 29 years for 1 and 2-quarter workers.

Changes in Earnings in Covered Employment

Fully as striking as the increase in the number of persons in covered employment between 1940 and 1942 was the increase in their taxable wages. The average amount of taxable wages received by all workers was \$926 in 1940 and \$1,118 in 1942, an increase of 21 percent; for persons with employment in all 4 quarters the average rose 29 percent, from \$1,303 to \$1,678. These figures do not represent aver-

Chart 1.—Percentage distribution of "experienced" 4-quarter workers by amount of wage credits, for each sex, 1940 and 1942



age total wages received by workers in covered occupations, because all wage payments after the first \$3,000 in the year, being nontaxable, have been excluded in computing the average. The proportion receiving \$3,000 or more was 7.5 percent in 1942, as

against 3.3 percent in 1940 (table 6). Among the 4-quarter workers, the proportion rose from 3.4 percent in 1940 to 9.2 percent in 1942. The proportion of workers receiving less than \$200, on the other hand, was only slightly less in 1942 (21 percent) than in 1940 (23 percent).

Table 7.—Percentage distribution of "experienced" workers¹ by amount of wage credits for selected quarters with wage credits, for each sex, 1940 and 1942

Amount of wage credits	Total		Male		Female	
	1940	1942	1940	1942	1940	1942
All workers.....	100.0	100.0	100.0	100.0	100.0	100.0
\$1-199.....	17.1	18.3	14.6	10.5	23.8	20.2
200-399.....	10.2	8.6	8.7	7.1	14.3	12.0
400-599.....	10.0	7.6	8.0	6.4	15.5	11.0
600-799.....	11.1	7.7	8.0	6.0	17.1	12.0
800-999.....	9.6	8.0	8.7	6.0	12.2	13.4
1,000-1,199.....	8.2	7.3	8.6	5.9	7.2	11.1
1,200-1,399.....	7.3	6.4	8.4	6.0	4.2	7.6
1,400-1,599.....	6.1	5.7	7.6	6.0	2.4	4.8
1,600-1,799.....	4.8	6.2	6.1	0.1	1.2	2.9
1,800-1,999.....	4.0	4.9	5.2	0.1	.8	1.8
2,000-2,199.....	2.8	4.4	3.7	5.7	.5	1.0
2,200-2,399.....	1.9	3.7	2.6	5.0	.2	.5
2,400-2,599.....	1.4	3.2	1.9	4.3	.1	.3
2,600-2,799.....	1.1	2.7	1.4	3.6	.1	.2
2,800-2,999.....	.8	2.2	1.0	3.0	.1	.1
3,000.....	3.6	9.1	4.8	12.3	.3	.6
4 quarters.....	100.0	100.0	100.0	100.0	100.0	100.0
\$1-199.....	2.0	.9	1.4	.7	3.6	1.8
200-399.....	4.9	2.6	3.6	1.9	0.0	4.9
400-599.....	8.9	4.6	6.0	3.1	17.4	8.8
600-799.....	13.2	7.1	9.3	4.4	24.5	14.9
800-999.....	12.4	9.4	10.3	5.7	18.7	20.2
1,000-1,199.....	11.2	9.5	11.1	6.6	11.3	17.5
1,200-1,399.....	10.4	8.7	11.7	7.4	6.7	12.3
1,400-1,599.....	8.9	8.0	10.6	8.0	3.8	7.8
1,600-1,799.....	7.0	7.6	8.8	8.8	1.9	4.8
1,800-1,999.....	5.9	7.3	7.5	8.8	1.2	3.0
2,000-2,199.....	4.2	6.6	5.4	8.3	.6	1.6
2,200-2,399.....	2.8	5.7	3.7	7.4	.4	.9
2,400-2,599.....	2.1	6.0	2.7	6.5	.2	.5
2,600-2,799.....	1.6	4.1	2.1	5.4	.2	.3
2,800-2,999.....	1.1	3.4	1.4	4.5	.1	.2
3,000.....	3.4	9.5	4.4	12.7	.4	.5
3 quarters only.....	100.0	100.0	100.0	100.0	100.0	100.0
\$1-199.....	14.4	8.3	11.9	6.1	21.2	14.8
200-399.....	21.1	14.4	17.6	10.9	30.6	25.0
400-599.....	19.6	15.9	17.2	12.4	25.1	25.7
600-799.....	13.8	13.3	14.1	11.8	13.1	17.6
800-999.....	9.1	9.9	10.7	10.2	5.0	8.8
1,000-1,199.....	5.9	7.2	7.3	8.3	2.2	4.2
1,200-1,399.....	3.9	6.3	5.0	6.5	.9	1.8
1,400-1,599.....	2.5	3.7	3.3	4.8	.4	.7
1,600-1,799.....	1.5	2.6	1.9	3.4	.2	.3
1,800-1,999.....	1.1	1.9	1.4	2.4	.1	.2
2,000-2,199.....	.7	1.3	.9	1.7	(¹)	.1
2,200-2,399.....	.5	.9	.7	1.2	(¹)	.1
2,400-2,599.....	.3	.6	.4	.8	(¹)	(¹)
2,600-2,799.....	.2	.4	.3	.6	(¹)	(¹)
2,800-2,999.....	.3	.5	.4	.7	(¹)	(¹)
3,000.....	5.1	13.8	6.9	18.2	.5	.7

¹ Having wage credits in 2 or more years.

² Less than 0.05 percent.

As table 7 indicates, the improvement in taxable earnings was best reflected, perhaps, in the increased amount of wage credits received by men with 4 quarters in employment and with wage credits in 2 or more years. The distribution of taxable wages received by such workers shows a modal concentration between \$1,800 and \$1,999 in 1942, whereas in 1940 the concentration was between \$1,200 and \$1,399. During this period the percentage receiving less than \$1,800 declined, and the percentage receiving more than that amount increased correspondingly.

The distribution of women who had 4 quarters of wage credits and who worked in 2 or more years in covered employment showed similar increases but on a much smaller scale. A comparison of the percentage distributions of 1940 and 1942 shows that the modal concentration for this group rose from \$600-799 to \$800-999, with sharp declines in the percentage earning less than \$900 in 1942 and corresponding increases in the percentage earning more than that amount.

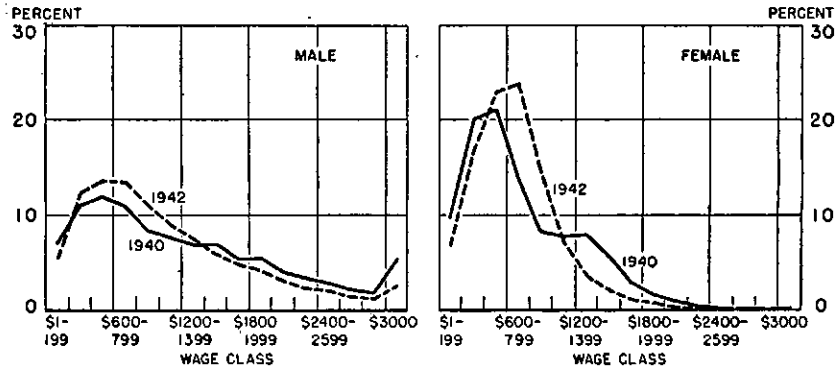
The rise in taxable wages for 4-quarter workers may be ascribed to increased steadiness of employment within the quarters, lengthened hours of work, occupational upgrading, and increased wage rates, all of which affected men to a relatively greater extent than women.

The distributions of new workers also showed increases between 1940 and 1942 in the amount of taxable

wages paid, but the increases among the 4-quarter workers have been obscured by the extension of coverage in 1940 to maritime and national-bank employees (table 8). Since practically all these were 4-quarter workers, receiving relatively high wages, the percentage of new workers in the higher wage brackets was higher in 1940 than in 1942.

The rise in average wage credits between 1940 and 1942 was relatively greatest among the youngest workers and Negroes. The average annual taxable wage of Negroes rose 36 percent, as compared with the rise of 24 percent for white workers. For Negro women, however, the average was 0.4 percent less in 1942 than in 1940, primarily because of the short-term employment of many who entered covered employment for the first time in

Chart 2.—Percentage distribution of "new" 4-quarter workers by amount of wage credits, for each sex, 1940 and 1942



1942. Those with wage credits in all 4 quarters, on the other hand, had an average annual taxable wage in 1942 which was 21 percent greater than the corresponding average for 1940.

In relation to age, the rise in the

average annual taxable wage was greatest for those under 20 years of age, and progressively less for each older group. This youngest group received an average annual taxable wage of \$228 in 1940 and \$388 in 1942, an increase of 70 percent. Among the workers aged 70 and over, the increase was only 5 percent.

For workers in each age group except those under 20, the percentage increase was greater for 4-quarter workers than for all workers. The average taxable wage of all workers increased 21 percent; that of 4-quarter workers, 29 percent. Among the 4-quarter workers, the average of the under-20 group rose from \$527 in 1940 to \$848 in 1942, or 61 percent; for those 20-24 years of age, the increase was 50 percent, and for those aged 70 and over, 15 percent. Inasmuch as the 4-quarter workers probably had fairly steady work in 1940 as well as in 1942, the rise in taxable wages may be ascribed chiefly to lengthened hours of work, occupational upgrading, and increased wage rates.

Migrant workers received taxable wages averaging \$1,288 in 1942, as against \$1,105 for nonmigrant workers (table 4). There are several reasons for this difference. A substantial proportion of workers with wage credits in 1942—39 percent—received less than \$600 in taxable wages. For the most part, such low earnings during a prosperous year indicate short-term employment, and it is probable that most of the workers with only brief periods of employment were nonmigrants. The inclusion of a large number of short-term workers among the nonmigrant group lowers their average. Moreover, a higher percentage of migrant than of nonmigrant workers were men, whose wage rates and total earnings are

Table 8.—Percentage distribution of "new"¹ workers by amount of wage credits for selected quarters with wage credits, for each sex, 1940 and 1942

Amount of wage credits	Total		Male		Female	
	1940	1942	1940	1942	1940	1942
All workers.....	100.0	100.0	100.0	100.0	100.0	100.0
\$1-199.....	66.3	55.6	62.4	49.8	73.8	62.0
200-399.....	15.6	19.3	16.0	18.8	14.9	10.7
400-599.....	6.5	10.0	7.2	10.4	5.3	9.5
600-799.....	3.1	5.6	3.8	6.4	1.9	4.7
800-999.....	1.8	3.2	2.2	4.2	1.1	2.1
1,000-1,199.....	1.3	2.0	1.5	2.9	.8	1.0
1,200-1,399.....	1.1	1.3	1.2	2.1	.8	.5
1,400-1,599.....	.9	.8	1.0	1.4	.6	.2
1,600-1,799.....	.6	.6	.8	1.0	.3	.1
1,800-1,999.....	.6	.4	.8	.8	.2	.1
2,000-2,199.....	.4	.3	.5	.6	.1	(?)
2,200-2,399.....	.3	.2	.4	.4	(?)	(?)
2,400-2,599.....	.2	.2	.4	.3	(?)	(?)
2,600-2,799.....	.2	.1	.3	.2	(?)	(?)
2,800-2,999.....	.2	.1	.2	.2	(?)	(?)
3,000.....	.9	.3	1.3	.5	.1	(?)
4 quarters.....	100.0	100.0	100.0	100.0	100.0	100.0
\$1-199.....	7.9	6.1	7.0	5.5	9.8	6.8
200-399.....	13.7	14.2	10.9	12.3	20.0	16.9
400-599.....	14.7	17.3	11.8	13.6	20.9	22.8
600-799.....	11.8	17.8	10.9	13.4	13.6	23.7
800-999.....	8.3	12.6	8.4	11.1	8.3	14.8
1,000-1,199.....	7.6	8.3	7.6	9.1	7.7	7.1
1,200-1,399.....	7.2	5.9	6.8	7.5	8.0	3.5
1,400-1,599.....	6.5	4.3	6.9	5.9	5.6	2.1
1,600-1,799.....	4.5	3.2	5.3	4.8	2.8	1.1
1,800-1,999.....	4.2	2.7	5.4	4.2	1.6	.6
2,000-2,199.....	3.0	2.0	3.9	3.2	.8	.2
2,200-2,399.....	2.3	1.4	3.3	2.3	.3	.1
2,400-2,599.....	1.9	1.2	2.7	2.0	.2	.1
2,600-2,799.....	1.5	.8	2.1	1.4	.2	.1
2,800-2,999.....	1.2	.7	1.7	1.2	0	(?)
3,000.....	3.7	1.5	5.3	2.5	.2	.1
3 quarters only.....	100.0	100.0	100.0	100.0	100.0	100.0
\$1-199.....	29.8	19.9	26.5	18.1	36.4	22.3
200-399.....	31.2	26.1	27.5	23.2	36.8	30.3
400-599.....	19.4	21.1	19.8	17.3	18.6	26.2
600-799.....	8.0	12.1	10.1	11.7	3.5	12.5
800-999.....	4.3	7.0	5.7	8.6	1.5	4.8
1,000-1,199.....	2.0	4.6	2.8	6.2	.5	2.3
1,200-1,399.....	1.3	3.2	1.9	4.7	.3	1.1
1,400-1,599.....	.7	1.9	1.0	3.1	.1	.3
1,600-1,799.....	.4	1.3	.6	2.1	.1	.1
1,800-1,999.....	.4	.8	.5	1.4	.1	.1
2,000-2,199.....	.2	.6	.3	1.1	(?)	(?)
2,200-2,399.....	.2	.4	.3	.7	(?)	(?)
2,400-2,599.....	.2	.3	.2	.5	(?)	(?)
2,600-2,799.....	.1	.2	.1	.3	(?)	(?)
2,800-2,999.....	.1	.1	.2	.2	0	(?)
3,000.....	1.7	.4	2.5	.8	.1	(?)

¹ Having wage credits for the first time.

² Less than 0.05 percent.

typically higher than those of women workers. In 1942, 79 percent of the persons with wage credits in two or more States were men, as against 66 percent among workers with wage credits in a single State. A third factor making for higher earnings among migrant workers is that this group contains a number of persons who, although working for a single employer, are transferred from State to State. Such workers are often highly trained and steadily employed at good wages, and their earnings tend to raise the average for the migrant group as a whole.

Changes in Insurance Status of Workers

It is estimated that 6.4 million more persons were fully or currently insured² under old-age and survivors insurance at the beginning of 1943, the second full year of the war, than at the beginning of 1941. From an estimated 24.9 million at the beginning of 1941, the number rose to 31.3 million at the beginning of 1943. In spite of this increase, the percentage insured among all estimated living workers with wage credits declined from 55 percent at the beginning of 1941 to 53 percent at the beginning of 1943.

The major reason for this percentage decline was the abnormal influx of new entrants into covered employment during 1941 and 1942. Moreover, the number of persons who have withdrawn from covered employment without having become entitled to benefits is cumulatively increasing. Some of these persons were insured when they left covered employment but lost their insured status some time afterward; others never were insured. Data on the number of persons with

wage credits who have died are incomplete,³ and none are available on the number of workers who have become totally incapable of gainful employment or on the number of women who have withdrawn from the covered labor market in order to manage their own households. It is expected, however, that the number of women who withdraw will increase considerably after the war. Except for those who will have become permanently insured, these women will eventually lose the insured status acquired during their stay in covered employment, thus boosting the percentage of all women with wage credits who are uninsured.

A higher proportion of the workers with wage credits had only currently insured status at the beginning of 1943—5.2 percent—than at the beginning of 1941—1.5 percent. The proportion of fully insured individuals declined from 53 percent at the beginning of 1941 to 47 percent at the beginning of 1943, although the absolute number increased. The proportion of persons with only currently insured status may be expected to increase, whereas the proportion fully insured may change very little or even decline, owing to the fact that, as time goes on, the requirements for fully insured status become progressively more rigorous for most persons who were 21 years old before January 1, 1937. At the beginning of 1941, a worker who had attained age 21 before January 1, 1937, but was under age 65 needed 8 quarters of coverage out of the 16 calendar quarters that had elapsed since the start of the program in order to be fully insured, and only 6 out of the last 12 to be currently insured. At the beginning of 1943, however, such a person needed 12 quarters of coverage to be fully insured and still needed

only 6 out of the last 12 to be currently insured.

Differences among the sex, race, and age groups in the percentage insured at the beginning of 1943, as compared with the beginning of 1941, arose primarily out of the relative differences in the various groups who had first entered covered employment between 1940 and 1942. Although the same percentage of men with wage credits was insured at the beginning of 1941 as at the beginning of 1943—58 percent—the corresponding percentage for women decreased from 46 to 41 percent. This decline chiefly reflects the large numbers of women who entered covered employment between 1940 and 1942 and had not been in covered employment long enough to become even currently insured. It is also partly a reflection of the growing numbers of women with wage credits who had left covered employment.

At the beginning of 1943, a greater proportion of the younger workers under 25 years of age, and a smaller proportion of those aged 25 and over, were fully insured than at the beginning of 1941. For those under 20, the percentage of fully insured individuals rose from 11 percent at the beginning of 1941 to 13 percent at the beginning of 1943; and for those 20–24 years of age, from 48 to 52 percent. At age 25 the percentages began to decline progressively. For the 25–29 year group, the percentage declined from 56 to 50 percent; for those aged 60–64, from 59 to 48 percent, and for those 65 years and over, from 59 to 45 percent. These declines were offset in part by a rise in the percentage currently insured among all groups aged 25 years and over.

The more rapid decline in the percentage insured among the older workers reflects the relatively greater number of new entrants—all of whom were uninsured—and reentrants into covered employment—most of whom were uninsured—among the older workers. The absolute number of fully insured individuals, however, increased during the period. The rise in the percentage insured among younger workers is due to the relatively greater increase in their average taxable wages and in opportunities for steady work. Moreover, persons under age 25 needed no more quarters of coverage to become fully insured in 1942 than did workers of the same age in 1940. On the other hand, persons aged 25 and over who

² A fully insured individual is (1) one who had not less than 1 quarter of coverage for each 2 of the calendar quarters elapsing after 1938 or after the quarter in which he attained the age of 21, whichever is later, and up to but excluding the quarter in which he attained age 65 or died, whichever occurred first, and in no case less than 6 quarters; or (2) one who has had at least 40 quarters of coverage. A person with 40 quarters of coverage or who had attained age 65 while fully insured or who had sufficient quarters of coverage to enable him to attain age 65 while fully insured is permanently insured. A currently insured individual is one to whom taxable wages of not less than \$50 have been paid for each of not less than 6 out of the 12 quarters immediately preceding the quarter in which he dies.

³ Estimates of the proportion of living persons with wage credits who were uninsured at the beginning of 1941 and 1943 differ only by about 0.5 percentage points from the proportion uninsured computed from the tabulated data. The tabulated data do not include deceased workers on whose wage records survivor benefits had been awarded but do include an unknown number of dead workers, most of whom were uninsured. Because of the slight differences in these percentages and because of the difficulty of estimating the number of live workers by pattern of years with wage credits, the proportions insured or uninsured given in this article are those shown by the tabulated data. The effect of including dead workers in the data is to raise the proportion uninsured, because most of the unknown dead are classified as uninsured.

Table 9.—Percent of workers with wage credits in 1940 and 1942 insured and uninsured January 1, 1941, and January 1, 1943, respectively, by regions ranked according to the percentage insured January 1, 1941

Region	Fully or currently insured		Uninsured	
	Jan. 1, 1941	Jan. 1, 1943	Jan. 1, 1941	Jan. 1, 1943
United States..	68.0	62.9	32.0	37.1
Middle Atlantic.....	74.2	70.9	25.8	29.1
New England.....	73.1	70.3	26.9	29.7
East North Central..	71.9	67.1	28.1	32.9
Pacific.....	65.7	58.4	34.3	41.0
West North Central..	62.9	55.3	37.1	44.7
South Atlantic.....	61.1	58.0	38.9	41.4
Mountain.....	58.7	48.7	41.3	51.3
East South Central..	58.5	52.2	41.5	47.8
West South Central..	56.0	47.8	44.0	52.2

first entered covered employment in 1942 needed at least 2 more quarters of coverage in order to become fully insured than did a person of corresponding age in 1940, provided neither had attained age 65.

The impact of the war on the insurance status of Negroes was much the same as for all persons in covered employment. The percentage of Negroes with wage credits who were fully insured declined from 35 percent at the beginning of 1941 to 29 percent at the beginning of 1943. The percentage with only currently insured status increased from 2 to 7 percent, and the percentage uninsured, from 63 to 64 percent. Among both Negro men and women, the percentage fully insured was lower at the beginning of 1943 than at the beginning of 1941, but the percentage currently insured was higher. The percentage uninsured, however, declined from 60 to 59 percent for the men, presumably because steadier employment among persons in covered employment more than offset the effect of large numbers of new entrants. The corresponding percentage of uninsured among the Negro women increased from 73 to 80 percent.

The war boom in employment affected the insurance status of workers in the various geographic regions about in proportion to the relative number of persons entering covered employment for the first time in 1941 and 1942. Among workers with wage credits in 1942, the percentage of insured workers was uniformly lower in all regions at the beginning of 1943 than the corresponding percentage at the beginning of 1941 for workers with wage credits in 1940 (table 9).

With one exception, the Northeastern States—New England, Middle Atlantic, and East North Central States—showed the least decline in the percentage of insured, probably because these States are highly industrialized and had relatively fewer new entrants into covered employment in 1941 and 1942 than the other regions. Only in the South Atlantic States was the decline in the percentage of the insured smaller than in the Northeastern States. Against the large numbers of workers who received wage credits for the first time during 1941 and 1942 in the South Atlantic States was the offsetting fact that the greatly improved employment conditions in that region enabled many of those who already had some wage credits to acquire insured status.

Conclusions

The boom in employment and wages in the first full year of the war had the immediate effect of raising the average monthly wage on which benefits are based and of increasing, at least temporarily, the number of persons insured. There was an even greater increase, on the other hand, in the number of persons who were uninsured, because of the many who were attracted into covered employment by the demand for manpower but had not had covered jobs long enough to become insured.

At present, most of the persons receiving old-age benefits are persons who have been forced into retirement because of ill health or other reasons for unemployability.⁴ As a whole, the average wages on which their benefit amounts are based are below the average of those who have remained in covered employment. The average primary benefit in force at the end of 1940 was \$22.69; at the end of 1942 it was \$22.96, and it will probably remain at this level until the end of the war. It is estimated, however, that the average size of the primary benefits payable to persons of retirement age who are now working would be about \$26 or \$27 a month. A sharp increase is therefore anticipated, not only in the number but also in the size of the benefits paid after the close of the war, when many aged workers will probably be laid off. The increase in size of benefit resulting solely

⁴ See Wentworth, Edna C., "Why Beneficiaries Retire," *Social Security Bulletin*, Vol. 8, No. 1 (January 1945), pp. 16-20.

from the increase in the average monthly wage during the war, however, will be rather moderate, since the increase in the primary benefit will in most cases be only about 10 percent of the increase in the average monthly wage.

A large number of the older workers have become insured as a result of war employment, and many will apply for benefits as soon as they have been laid off. In the early years of the program, older workers approaching retirement age can become fully insured and eligible for retirement benefits on much easier terms than young workers, who will have to pay taxes on wages received in at least 10 years before becoming eligible for old-age benefits at age 65. The war is making it possible for many older persons to obtain benefit rights and has also made many persons currently insured for at least a time, protecting their dependents in the event the worker should die. The net result has been to boost the number of persons who will be eligible for benefits after the war.

Nevertheless, many persons who have taken wartime jobs, particularly women and older persons, will not have worked long enough by the war's end to have become fully or permanently insured. Though some may have gained the current protection of survivors' insurance, to many the tax on their wages will represent deductions for which no protection has been given in return. It may be expected that after the war there will be a redistribution of workers among the various industries in something like the pre-war proportions. As a consequence, the proportion in covered employment will decline and that in noncovered employment will increase. Most of those who leave covered employment will lose their insured status some time thereafter. This group will include women who leave the labor force to return to the care of their homes, although many of them will have a chance to qualify on the present or future wage records of their husbands. Others who will lose their insured status include farmers, small employers, proprietors, teachers, and persons in other occupations not yet covered by the act. Only the extension of coverage and the maintenance of reasonably full employment will enable workers to retain the insured status which many have acquired during the war.