

# SOCIAL INSURANCE PAYMENTS IN THE UNITED STATES

RUTH RETICKER\*

FOR MORE THAN A generation payments under State workmen's compensation programs have been made to offset wage losses arising from industrial accidents. For a similar period payments have been made to retired public employees to offset wage losses in their old age and in some cases in disability. These programs may be considered the beginnings of social insurance<sup>1</sup> in the United States, i. e., public programs for payments to covered workers, determined by records of their previous employment and wages, according to formulas specified in the laws, with payments financed from contributions by employers, or employers and employees, supplemented in some instances by contributions from general revenue.

The passage of the Railroad Retirement Act and the Social Security Act in the last few years extended old-age insurance to the major part of the population in industrial and commercial employment, while the unemployment compensation provisions of the Social Security Act, the related State unemployment compensation laws, and the Railroad Unemployment Insurance Act rounded out the social insurance program to offset certain wage losses from unemployment. The statistics yielded by these Federal and Federal-State programs focus attention on the significance of total expenditures for all such purposes in this country.

For several years the Social Security Board has compiled and published coordinated statistics concerning payments to recipients of public assistance and earnings of persons employed on Federal work projects. (See the Public Assistance section of this and earlier issues of the Bulletin.) The increasing social and economic importance of benefit payments under the social insurance programs makes desirable an analogous comprehensive series reflecting social insurance payments. The project is in an incipient stage. Data from only four programs—the Federal and

State-Federal programs for employees in private employment—are now organized and presented in detail. Some general data are presented on the other social insurance programs, from which it is hoped to obtain more complete reporting later.

This article brings together, for the calendar years 1938 and 1939, summary data concerning these four social insurance programs. It is hoped that coordination of data previously reported for these programs separately and publication of data concerning other social insurance programs, when feasible, will clarify the relation of these programs to other current economic and social developments.

Many specific factors relative to employment and wages and to benefit payments as well as to administrative operations under the several programs obviously can be gauged only through separate consideration of the data for each. On the other hand, broad consideration of the economic potentialities and effects of social insurance in the United States is afforded only by taking account of all governmental programs—Federal, State, and local—which make use of social insurance techniques to offset or mitigate economic insecurity among workers and their families. As time goes on and as additional information becomes available, continued development of the series here proposed should afford a record which will be significant to an understanding of the nature and amount of current national income. It should also throw light on many aspects of the structure of industry, the patterns of employment, and the characteristics of the very large segment of the population directly concerned with social insurance programs.

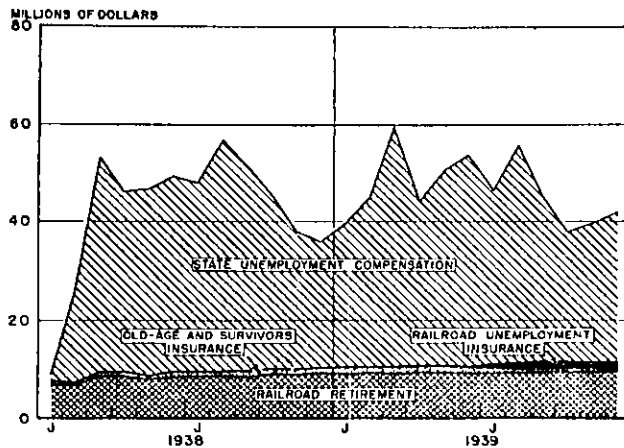
## *Recent Developments in Social Insurance*

First certifications under the Railroad Retirement Act of 1935 were made in July 1936 and first payments under the Wisconsin unemployment compensation law in August of that year. By the end of 1936, payments under these programs had totaled \$685,000 and \$131,000, respec-

\*Bureau of Research and Statistics.

<sup>1</sup> Actually, the first social insurance program in this country was established by Congress in 1798 under the Marine Hospital Service, which operated health insurance for American seamen, with medical benefits financed out of small deductions from their wages. This health insurance system operated for 86 years, until 1884, when it was replaced by tax-supported medical care for the seamen through what has since become the Public Health Service.

**Chart I.—Social insurance payments under selected programs, January 1938–December 1939<sup>1</sup>**



<sup>1</sup> For data on which chart is based see table 1. Chart, however, excludes payments of \$1.1 million in Ohio in December 1939, adjustments on payments of earlier months.

tively. In April 1937 the first payments under the old-age insurance provisions of the Social Security Act were made—lump-sum payments to covered workers at age 65 and to survivors of deceased covered workers. In December 1937 these lump-sum payments under Federal old-age insurance had reached a monthly total of more than \$400,000 while payments to unemployed workers covered by the Wisconsin law totaled more than \$375,000. Meanwhile, amendments to the Railroad Retirement Act had cleared away many of the difficulties which had retarded certifications of annuities, and by the end of 1937 more than 86,000 annuitants were on the rolls, receiving aggregate payments of \$5.2 million monthly. With the beginning of 1938, when unemployment benefits became payable under the laws of 21 additional States and the District of Columbia, the flow of payments under Federal and Federal-State social insurance programs began to assume more significant proportions.

Since these social insurance benefits are paid from contributions from employers and employees, or in some instances from employers alone, and are based upon wages in covered employment, benefit payments could not begin so soon after the passage of the social insurance laws as could payments under the public-assistance programs, but waited upon the accumulation of records of wages under the acts. Nor could coordinated statistics follow so soon after payments as in the field of relief statistics where compilations had

been begun earlier by governmental and private agencies.

### **Comparable Size of Selected Social Insurance Programs**

Chart I presents for each month in 1938 and 1939 the total payments to beneficiaries under the Federal old-age insurance provisions of the Social Security Act, the State unemployment compensation laws, the Railroad Retirement Act, and the Railroad Unemployment Insurance Act.

During these 2 years, payments under the old-age insurance program of the Social Security Act were relatively unimportant, because the only payments made were lump sums based on aggregate taxable wages after December 31, 1936. With the beginning, in 1940, of monthly benefits to retired aged workers and the added payments for certain types of dependents and survivors, the total payments under this program will be relatively more significant. Eventually such payments will probably constitute the largest element in social insurance payments in the United States. During 1938 and 1939 monthly payments to aged and disabled railroad workers constituted a fairly constant and considerable outlay, in relation to the total payments shown on the chart. However, the largest amounts of benefits in 1938 and 1939—more than three-fourths of the total—were paid out by the State unemployment compensation agencies. These payments have fluctuated widely, not only because of the increasing number of States in which they were payable and of changes in employment conditions, but also because of administrative factors. However, in each month since January 1938, such payments have been the largest of the four. The payments beginning July 1939 under the Railroad Unemployment Insurance Act to unemployed railroad workers who had formerly been covered by State unemployment compensation laws constituted the smallest fraction of expenditures under these four programs.

Chart I may be seen in perspective if it is compared with the chart of public-assistance payments and earnings of persons employed under Federal work programs in the continental United States (p. 51), as well as with chart II, which shows the nature of income payments to individuals in the continental United States for the years 1929–39. Thus while the peak of assistance and earnings in November 1938 exceeded \$325 million,

the peak of these social insurance payments in March 1930 did not reach \$60 million. On the scale of the public-assistance and work-programs chart, the social insurance payments would loom no larger—though they would be much more fluctuating—than payments for the special types of public assistance, at the bottom of the chart. On the income-payment chart social insurance benefits are shown as a very small segment, first visible in 1938, dwarfed by payments for direct relief and work-project earnings, which have been of considerable volume during the past 7 years. The social security and public-aid payments together are in turn dwarfed by compensation of employees, entrepreneurial income, and dividends and interest, although in the future social insurance payments will constitute an increasingly important share of the current stream of income payments in the United States.

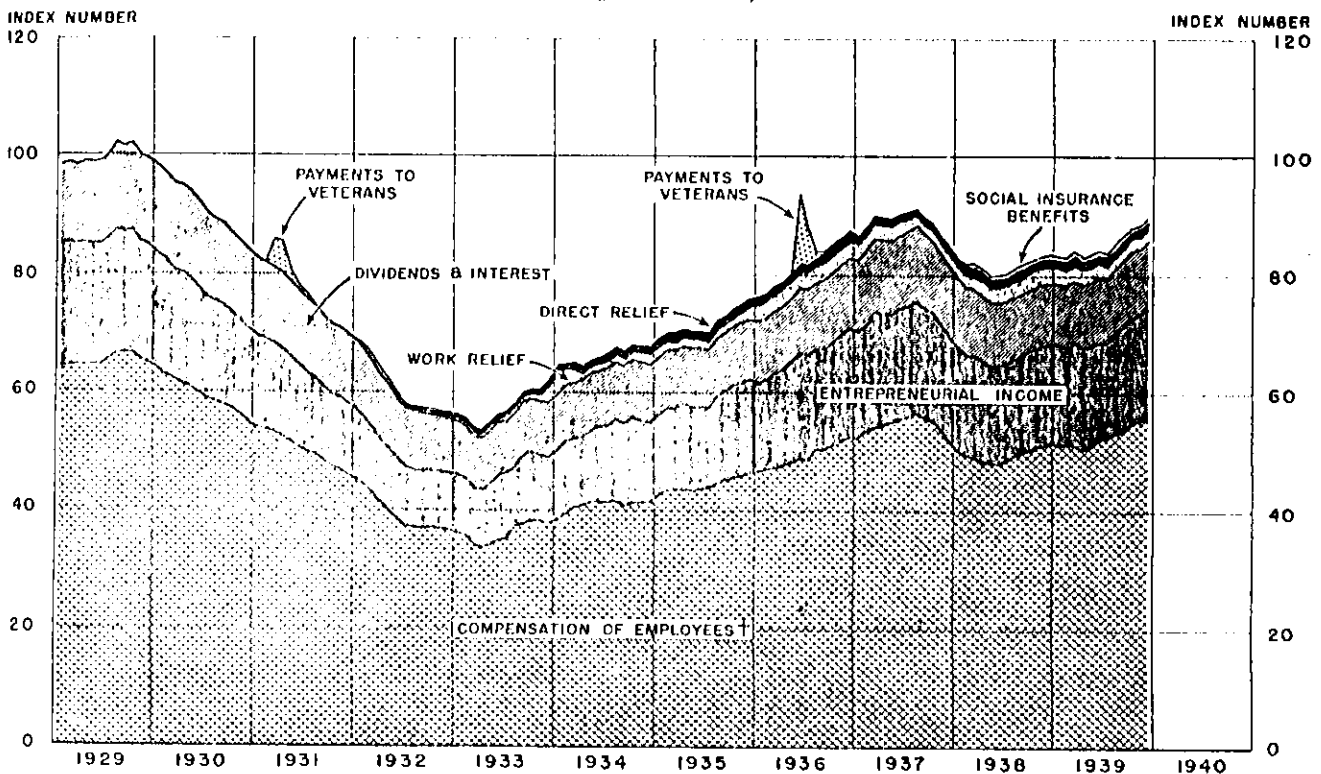
In this chart, prepared by the United States Department of Commerce, "compensation of employees" includes not only wages and salaries (less

employee contributions to Federal retirement funds), tips, commissions, bonuses, and payments in kind, but also payments from private pension and retirement plans; workmen's compensation benefits; annuities and refunds to Federal, State, and municipal employees; and pensions and disability benefits to veterans (excluding payments of adjusted-service compensation or "the bonus," which are charted separately as "payments to veterans"). "Entrepreneurial income" includes the amounts withdrawn by farmers, storekeepers, professional practitioners, and other self-employed persons, from the operation of unincorporated enterprises including partnerships and cooperatives. "Dividends and interest" includes cash dividends paid by incorporated business enterprises, interest paid by business enterprises, and net rents and royalties.

"Direct relief" includes payments for general relief other than work relief; payments to recipients of old-age assistance, aid to dependent children, and aid to the blind; and emergency sub-

Chart II.—Index of income payments in the continental United States, January 1929–December 1939

(Average month 1929-100) †



† Compensation of employees, entrepreneurial income, and dividends and interest adjusted for seasonal variation.

‡ Excludes work relief.

Source: U. S. Department of Commerce, National Income Division.

sistence payments to farmers by the Federal Emergency Relief Administration, Resettlement Administration, and Farm Security Administration. Small amounts of work relief were included in direct relief from 1929 through 1932. "Work relief," subsequent to 1932, includes relief and nonrelief earnings on work-relief and administrative projects of the FERA; earnings under the emergency education and student-aid programs of the FERA; earnings under the Civil Works Program; earnings of enrolled and nonenrolled persons in the Civilian Conservation Corps; relief and nonrelief earnings under work programs of the Works Projects Administration, the National Youth Administration, and other Federal agencies; and earnings on State and local relief projects. It will be observed that this series differs from, and in general is somewhat less inclusive than, "earnings of persons employed under Federal work programs in the continental United States," reported in table 1, page 52, of this issue. "Social insurance benefits" include payments under the four social insurance programs coordinated in this article. However, before 1938, payments under the Railroad Retirement Act were included in "compensation of employees."

#### *What the Benefit-Payment Figures Represent*

Table 1 presents the figures behind chart I with detail for certain types of payments under the two old-age and survivors programs, and table 2 presents the number of persons receiving each type of benefit.<sup>2</sup> The statistics of each program follow the detailed provisions of the law and its administration, but in each case the fundamental questions are: how much was paid out under the program and to how many persons? Even in so simple a matter as how much was paid out under the programs, one needs to define what the figures mean, particularly in terms of timing and of canceled payments. In table 1 the figures for all programs except State unemployment compensation are net certification figures. That is, they represent the total amounts certified to the Secretary of the Treasury during the month, minus any cancellations or refunds of payments previously certified. Certifications of monthly payments on railroad retirement annui-

<sup>2</sup> Except for lump-sum payments under the Social Security Act, the number of beneficiaries for each program as given in table 2 should not be compared with the figures for payments under the programs as shown in table 1, for purposes of obtaining average payments. See detailed discussions in other sections of the Bulletin for data on average payments.

ties and pensions are for payments on the first of the following month, although certifications for retroactive payments (see p. 32) are payable in the month of certification. The data for State unemployment compensation payments are gross payment figures, representing the total amounts of the weekly checks issued during the month by the State employment security agency or the fiscal agency of the State authorized to issue such payments, without deductions for checks returned and canceled. Since cancellations are now a relatively minor item, this combination of net and gross figures does not seriously distort the relative size of the programs as shown in the chart.<sup>3</sup>

#### *Fluctuations From Month to Month*

Since in both 1938 and 1939 the unemployment compensation payments account for three-fourths of the social insurance payments reported, the fluctuations of the total payments from month to month are influenced most by the fluctuations in the unemployment compensation payments. Chart I indicates a general increase in payments under the Railroad Retirement Act during the period, a general increase in lump-sum payments under the Social Security Act until the August 1939 amendments, and extreme fluctuations in the curve of unemployment benefits. As a short-term program, unemployment compensation will undoubtedly always show wider fluctuations than the other programs, but many special factors contributed to the large fluctuations in these first 2 years.

Benefit-payment operations began at different times, under the different State laws: in July 1936 in Wisconsin, in January 1938 in 22 States, in April in 2, in July in 3, in September in 1, in December in 2, in January 1939 in 18, and in July in 2, counting the District of Columbia, Alaska, and Hawaii as States. Waiting periods of different lengths and administrative factors delayed payments in some States; the chart therefore begins with payments of only 16 States in January 1938 and 23 States in February. By the end of 1938 benefits were being paid in 31 States and only after July 1939 in all 48 States, the District of Columbia, Alaska, and Hawaii.

<sup>3</sup> Comparison of these gross figures for benefit payments with those for benefits charged in which cancellations are reflected indicates that during 1938 cancellations totaled more than \$2 million. Because of changes in benefit-paying procedures in some States, cancellations in 1939 represent a much smaller proportion of payments.

While little is known about the duration of benefits paid to claimants in these years, it is clear that limitations on the duration of benefits meant that many covered workers remained unemployed after they had drawn all the benefits to which they were entitled. This was especially the case at the beginning of benefit payments when, in many States, there had not yet been time to record wage credits for a full base period. Decreases in benefit payments in chart I may reflect exhaustion of benefit rights and not reemployment.

Thus, the fluctuations in the monthly amount of unemployment benefits cannot be considered to represent fluctuations in unemployment in the United States, or even in unemployment among covered workers. To a certain degree, the chart

does not reflect fluctuations even in compensable unemployment, since payments are recorded in the month in which the payments were made, not the month in which the unemployment occurred. Though most payments are now made for recent unemployment, the average lag between unemployment and payment has varied from State to State and from month to month.

The large volume of claims from workers unemployed at the beginning of benefit payments in January 1938 plus the continued duration of unemployment during the succeeding months of depression made it difficult for many of the new State agencies to pay benefits currently. Payments on the accumulations of compensable claims account for the peak in March 1938. The level of

Table 1.—Social insurance payments under selected programs, calendar years 1936-39 and by months, January 1938-December 1939<sup>1</sup>

[In thousands]

Year and month	Total	Old-age and survivors insurance payments <sup>2</sup>						Unemployment insurance payments		
		Total	Under the Social Security Act		Under the Railroad Retirement Act			Total	Under State unemployment compensation laws <sup>3</sup>	Under the Railroad Unemployment Insurance Act <sup>4</sup>
			Lump-sum payments at age 65	Lump-sum death payments	Employee annuities and pensions	Survivor and death-benefit annuities	Lump-sum death payments			
1936 total.....	\$816	\$685			\$678	\$12		\$131	\$131	
1937 total.....	44,218	42,086	\$631	\$627	40,354	454		2,132	2,132	
1938 total.....	508,335	108,934	4,706	5,772	96,763	1,381	\$312	396,401	396,401	
January.....	8,820	7,538	345	400	6,703	90	( <sup>5</sup> )	1,291	1,291	
February.....	20,457	7,022	247	318	6,396	59	2	19,435	19,435	
March.....	53,054	9,194	355	481	8,280	76	2	43,860	43,860	
April.....	46,816	9,205	370	454	8,165	203	13	36,010	36,010	
May.....	47,217	8,011	377	439	7,678	117	10	38,608	38,608	
June.....	49,028	9,208	394	408	8,223	111	12	39,800	39,800	
July.....	47,715	9,195	338	448	8,264	117	28	38,520	38,520	
August.....	50,863	9,381	383	444	8,390	129	35	47,482	47,482	
September.....	51,141	9,557	454	558	8,378	130	37	41,584	41,584	
October.....	48,273	10,002	603	579	8,782	112	26	38,271	38,271	
November.....	37,843	9,941	600	675	8,691	112	63	27,902	27,902	
December.....	36,100	10,080	480	578	8,813	125	84	26,020	26,020	
1939 total.....	569,850	124,293	4,574	9,321	107,025	1,445	1,898	429,827	429,827	\$4,787
January.....	39,432	10,229	559	696	8,738	117	119	29,203	29,203	
February.....	45,074	10,329	518	651	8,858	119	183	34,745	34,745	
March.....	59,405	10,532	700	841	8,623	103	201	48,873	48,873	
April.....	44,656	10,507	658	808	8,608	126	107	33,458	33,458	
May.....	50,637	10,707	709	816	8,894	123	165	39,930	39,930	
June.....	53,770	10,609	673	845	8,805	148	138	43,161	43,161	
July.....	46,384	10,511	620	703	8,929	128	181	35,873	35,873	
August.....	55,613	10,107	137	816	8,894	116	138	45,513	44,491	277
September.....	44,989	10,003		793	8,965	121	124	34,986	33,556	1,330
October.....	37,960	10,293		806	9,180	109	195	27,667	26,690	977
November.....	39,558	10,215		891	9,077	122	125	29,321	28,369	952
December.....	42,978	10,118		655	9,232	112	119	32,867	31,648	1,209

<sup>1</sup> Payments to individual beneficiaries under the programs; figures exclude cost of administration.

<sup>2</sup> Amounts certified to the Secretary of the Treasury for payment. Figures for any month represent vouchers certified during month, including retroactive payments, minus cancellations reported during month. Data on payments under Railroad Retirement Act corrected to Jan. 31, 1940.

<sup>3</sup> Amount of checks issued, as reported by State agencies to the Division of Research and Statistics, Bureau of Employment Security. The number of jurisdictions making such payments has increased as follows: 1936-37, 1; 1938: January, 10; February, 23; April, 25; July, 27; August, 28; September, 29; December, 31; 1939: January, 48; February, 49; July, 51. Operations were

suspended in South Dakota during July 28-Sept. 29, 1939. Figures not adjusted for cancellations and refunds. Data corrected to Mar. 15, 1940.

<sup>4</sup> Amounts certified by regional offices of the Railroad Retirement Board to regional disbursing officers of the Treasury. Figures for any month represent vouchers certified during month, including retroactive payments, minus cancellations reported during month.

<sup>5</sup> Less than \$1,000 (\$302).

<sup>6</sup> Includes \$1.2 million paid in Ohio as adjustments on payments for previous months of 1939, resulting from recalculation of weekly benefit amounts in accordance with a court decision.

payments fell as the backlog was eliminated and as benefit rights available in the first benefit year were exhausted. The addition of each new group of benefit-paying States and the beginning of second benefit years especially in January and July 1939 resulted, within 2 or 3 months, in new peaks of payments. However, the general trend of benefit payments has not kept pace with the number of benefit-paying States and the consequent increase in covered workers eligible for benefits when unemployed.

With all States paying unemployment compensation in 1940 and with the administrative adjustments of the first year behind them, the figures for benefit payments in 1940 will more accurately reflect the curve of compensable unemployment.

The fluctuations in the monthly payments under the Railroad Retirement Act arise from adminis-

trative causes. The amounts certified each month as employee annuities and pensions (to former railroad pensioners) and as survivor and death-benefit annuities include, in addition to the regular monthly payments to persons on the rolls, payments for previous months on newly certified annuities and retroactive adjustments on recertified annuities. In some cases new certifications of employee annuities run back to June 1936, the first month for which annuities were payable. These retroactive certifications may obscure the actual growth in the monthly obligations of the system, since the number of new certifications and recertifications varies considerably from month to month as a result of administrative factors. In contrast to the apparent rise and fall in payments (table 1), the number of persons on the rolls for railroad employee annuities and pensions (table 2) shows a continuous increase monthly.

Table 2.—Individuals receiving social insurance payments under selected programs, by months, January 1938-December 1939

Year and month	Old-age and survivors insurance beneficiaries					Unemployment insurance beneficiaries	
	Under the Social Security Act		Under the Railroad Retirement Act			Under State unemployment compensation laws <sup>4</sup>	Under the Railroad Unemployment Insurance Act <sup>4</sup>
	Lump-sum payments at age 65	Lump-sum death payments	Employee annuities and pensions <sup>1</sup>	Survivor and death-benefit annuities <sup>1</sup>	Lump-sum death payments <sup>2</sup>		
1938							
January.....	10,812	12,726	90,612	1,032	2		
February.....	6,935	9,350	92,730	1,064	31		
March.....	9,098	12,760	90,318	1,133	52		
April.....	8,120	11,244	101,103	1,355	114		
May.....	7,301	10,010	103,430	1,427	249		
June.....	7,119	10,942	106,781	1,459	218		
July.....	6,097	8,893	109,167	1,546	305		
August.....	6,579	8,244	112,063	1,617	584		
September.....	7,409	9,724	114,609	1,803	686		
October.....	7,794	9,721	117,142	1,851	645		
November.....	7,412	9,287	119,716	2,025	597		
December.....	7,107	8,957	121,655	2,075	1,359		
1939							
January.....	8,280	10,458	122,970	2,128	1,735	657,209	
February.....	7,744	9,740	124,614	2,177	1,933	769,770	
March.....	9,627	12,143	126,123	2,322	2,575	833,159	
April.....	8,352	11,007	127,382	2,367	2,193	685,073	
May.....	8,034	10,034	128,593	2,460	1,552	776,006	
June.....	7,906	10,320	129,685	2,554	1,295	802,209	
July.....	7,409	8,332	130,672	2,600	810	764,885	18,771
August.....	1,409	9,447	131,532	2,692	1,214	797,235	30,434
September.....		8,689	132,621	2,707	667	729,929	50,231
October.....		8,613	133,695	2,795	1,344	691,714	30,697
November.....		9,422	134,893	2,741	1,171	637,029	28,322
December.....		9,761	136,065	2,755	747	658,295	37,307

<sup>1</sup> Number of individuals on the rolls at end of month specified, based on month in which annuity or pension was certified or terminated upon notice of death rather than on month in which annuity or pension began to accrue or beneficiary died.

<sup>2</sup> Widows receiving both survivor and death-benefit annuities are counted twice, but 2 or more individuals sharing 1 death-benefit annuity are counted as 1.

<sup>3</sup> Based on months ended on 20th calendar day; 2 or more individuals sharing 1 lump-sum payment are counted as 1.

<sup>4</sup> Number of individuals receiving benefits during middle week of month

specified, except that for 5 States in January 1939 and 1 in February and March number of payments in midweek is substituted for number of individuals receiving payments, and that for 9 States beginning benefit payments in January, number of payments in final week of January is included. Data for 1938 not available.

<sup>5</sup> Number of benefit certifications for days of unemployment in registration periods of 15 consecutive days, during second and third weeks of month specified.

<sup>6</sup> Excludes individuals receiving adjusted payments in Ohio (see table 1, footnote 6).

The amount of individual lump-sum payments—3½ percent of total taxable wages after December 31, 1936, under the Social Security Act and 4 percent under the Railroad Retirement Act—obviously tends to increase with the passage of time. The total amounts paid out for such purposes therefore tend to increase from month to month unless the number of such payments decreases. Tables 1 and 2 show great fluctuations in the number and amount of lump-sum payments under the Railroad Retirement Act, the result of administrative factors, such as staff available for certification, and the stage of the development of procedures. However, there is an upward trend in lump-sum payments under both programs—the result of increasing average payments rather than of increasing numbers of payments. Lump-sum payments at age 65 under the Social Security Act ceased in August 1939 in accordance with amendments to the act. For some months to come, lump-sum death payments will be made, but in decreasing number, to survivors of covered workers who died before January 1, 1940.

In comparing month-to-month changes in table 1, it should be recognized that the monthly amounts of payments under all the programs are affected by the length of the month, particularly the number of working days in the month. This factor is least important in the payments for continuing monthly benefits, but it affects even these series because of its influence on the number of new certifications added during the month. The length of the month is most important in the State unemployment compensation payments, which are generally on a weekly basis. The longer the month, the larger will be the number of continuously unemployed claimants who have 5 rather than 4 compensable weeks ending within the month.

#### **Data on Beneficiaries Under Selected Programs**

In these first coordinated statistics of the number of beneficiaries under four social insurance programs, it is necessary to explain how beneficiaries under each program are counted in table 2. The figures for recipients of lump-sum payments under both the Social Security Act and the Railroad Retirement Act are the actual number of certifications for these nonrecurring payments, counting as a single item certifications to more than one survivor of a covered worker. The figures given

for railroad retirement annuities and pensions are the total number of retired workers on the rolls at the end of the month. These figures are based on the month in which each annuity was certified, rather than the first month for which it was certified. Terminations by death are deducted in the month in which the death was reported to the Railroad Retirement Board rather than the month in which it occurred. The resulting in-force figures correspond better with the payment figures in table 1 than would figures corrected to date of accrual and date of death. The series for survivors and death-benefit annuitants is not an unduplicated count, since in each of the months shown in the table 100-250 widows have received both a lifetime annuity under a joint and survivor election and a 12-month death-benefit annuity under the 1935 Railroad Retirement Act.

No figures are available, on a Nation-wide basis, for the number of individuals who received unemployment compensation during 1938 or during any week or month of the year. For 1939 one series is available—the number of claimants receiving benefits during the middle week of each month. Obviously these data tend to understate the *total* number of different individuals who received one or more benefit payments during the month; they may represent an overstatement or understatement of the *average* number receiving benefits during any month. From month to month they provide, however, a rough measure of the trend in the number of beneficiaries of unemployment compensation.

Since railroad unemployment insurance payments are certified for days of unemployment within a period of 15 consecutive days, the number of payments in 1 week of the month is no measure of the number of railroad workers who receive benefits during the month. It is believed that the total of the number of payments in the second and third weeks of each month gives the figure most nearly comparable with the number in the midmonth week used in State unemployment compensation.

Because the seven columns of table 2 are on four different bases, no monthly totals are shown for the beneficiaries of these programs. Obviously, participation in the program has a different significance for individuals who receive a single lump-sum payment, for those who draw unemployment compensation for 1 or more weeks, and

for those on the rolls for monthly retirement payments for life. The data do not require an estimated unduplicated total comparable to the estimates for total numbers of individuals and households which have been carried, since October 1930, in the table on recipients of public assistance and persons employed under Federal work programs. As a matter of fact, there is probably little duplication of beneficiaries under the various social insurance programs. Most State unemployment compensation laws provide that no claimant may receive benefits for a week for which he receives old-age benefits under title II of the Social Security Act or unemployment benefits under the law of another State or of the United States (thus including the Railroad Unemployment Insurance Act<sup>4</sup>), except that if such benefits are less than he would receive under the State unemployment compensation law, he may receive the difference. This limitation to benefits under one program depends on the State laws, however; there is no similar restriction in title II.

Moreover, it is possible for an individual to receive simultaneously payments under both the Railroad Retirement Act and the old-age and survivors insurance provisions of the Social Security Act. Thus the survivor of a worker who died before January 1, 1940, having earned wages during 1937-39 in both railroad employment and employment covered by the Social Security Act, would properly draw lump-sum benefits under the two systems. In future months it will be possible for a retired worker to receive monthly benefits as an employee annuitant under the Railroad Retirement Act and as a primary annuitant under the Social Security Act, on the basis of employment with one or more railroad employers after December 31, 1936 (and, under certain conditions,<sup>5</sup> employment prior to January 1, 1937) and employment in half the calendar quarters after 1936 with one or more employers subject to the Social Security Act.

<sup>4</sup> The Railroad Unemployment Insurance Act similarly provides that no claimant may receive benefits for "any day in any period with respect to which . . . he is receiving, has received, or has a right to receive . . . annuity payments or pensions under the Railroad Retirement Act of 1935 or the Railroad Retirement Act of 1937, or old-age benefits under title II of the Social Security Act or . . . unemployment benefits under an unemployment compensation law of any State or of the United States other than this act" (sec. 4 (a) (v)).

<sup>5</sup> Provided he was in the active service of an employer under the Railroad Retirement Act, or in an employment relation to such an employer, on August 20, 1935, under the 1937 act, or on or after that date under the 1935 act. The maximum credited service is 30 years.

There is some duplication among recipients of social insurance and of public assistance as well as among beneficiaries under the different social insurance programs. Insurance benefits based upon wages may be more than adequate or inadequate for needs; in the latter cases, they may be supplemented by one or more of the special types of public assistance, if the insurance beneficiary is otherwise eligible, or by general relief payments. There is both official and public insistence that relief funds must be conserved for persons without rights to social insurance benefits or those with rights to benefits inadequate for their needs. This insistence has placed upon the relief agency, as supplementing agency, the responsibility for checking the insurance rights of relief applicants and the adequacy of insurance benefits. Tables published regularly in Statistics for Urban Areas (see p. 68) show the overlapping in certain cities between unemployment compensation and general relief and the shifting from general relief to unemployment benefits and to general relief after unemployment benefits are exhausted. According to available data, the number of persons receiving both unemployment compensation and relief has been small in proportion to the total number receiving either unemployment compensation or general relief. Similar statistics will be available later for overlapping between monthly payments under old-age insurance and both general relief and old-age assistance, and between monthly payments to widows and orphans under old-age and survivors insurance and aid to dependent children.

#### *Other Social Insurance Payments*

While the four programs discussed above are the only social insurance programs for which monthly data on payments and beneficiaries are available currently, not all the social insurance payments in the United States are made under these programs. Payments under workmen's compensation laws and under retirement systems for public employees and certain payments under the Veterans' Administration are essentially social insurance.

For almost three decades payments have been made under State workmen's compensation laws. Such payments were made first to workmen temporarily or permanently disabled by accidents at work and to the survivors of those killed in such accidents; later, in many States, to workers disabled by certain occupational diseases and to



their survivors. Even though some such laws are voluntary for employers in certain types of industries and most of the laws permit self-insurance or insurance through private insurance companies, they may be called social insurance because they represent governmental action in lifting certain insecurities from workmen by the pooling of risks. Even the "elective" laws put pressure upon employers to pool their risks in that they remove the employers' common-law defenses against responsibility for the results of accidents to their employees.

If the amounts paid out currently under 46 State laws, 3 Federal laws, and 4 Territorial laws<sup>6</sup> were included in chart I and table 1, they would represent an increase of perhaps 50 percent in total payments.<sup>7</sup> According to figures assembled by the Division of Labor Standards of the Department of Labor, cash payments under all these laws in 1937 probably exceeded \$250 million. Since only 7 States operate through exclusive State funds, and 11 others through competitive State funds, the problem of assembling statistics from all the private insurance carriers has made it difficult to measure currently the total contributions of workmen's compensation to the purchasing power of the workers affected. It is hoped that such data may be developed later.

Another type of program which antedates the present social insurance programs for workers in private employment provides for retirement benefits for public employees, and in some cases for payments to their survivors. Though such programs are comparable in many respects to the formal "pension" plans of private employers, they may be considered as rounding out the social insurance programs, since the workers covered are excluded from the Federal old-age and survivors insurance program and since the programs involve public contribution or public management or both. No thoroughgoing current reporting of the payments to aged and disabled government employees and to their survivors has ever been attempted. Although coverage of such workers is far from complete, such reporting would involve assembling data from 21 different Federal systems

<sup>6</sup> All States except Mississippi and Arkansas (which passed a law in 1939, not yet effective); 3 laws passed by Congress—for civilian employees, longshoremen and harbor workers, and the District of Columbia; and the laws of Alaska, Hawaii, the Philippines, and Puerto Rico.

<sup>7</sup> In chart II, these payments are included in "compensation of employees." If they had been segregated, social insurance payments would have been shown throughout the period covered by the chart, but of scarcely perceptible proportions until 1938.

and 18 State-wide retirement systems,<sup>8</sup> from teachers'-retirement systems in 33 States and Hawaii, and from retirement systems in more than 500 cities. Estimates of the payments to these retired Federal, State, and municipal employees indicate that they exceeded those to retired railroad workers reported in table 1.

At the Federal level there are both contributory and noncontributory retirement systems. Under 10 contributory systems, 60,000 retired Federal workers are receiving more than \$5 million a month. These contributory systems include the civil-service retirement system for all persons in the classified civil service of the United States and similar systems for Canal Zone and Alaska Railroad employees, administered by the Civil Service Commission, and for the Foreign Service, administered by the State Department. Separate systems are maintained for policemen and firemen and for public-school teachers of the District of Columbia, and special systems for employees of the Federal Reserve Board, the Tennessee Valley Authority, the Examining Division of the Office of the Comptroller of the Currency, and for civilian teachers at the United States Naval Academy. In coverage, annuitants, and benefits paid, the civil-service retirement system probably accounts for more than 90 percent of the Federal contributory systems.

Under the noncontributory systems, another 35,000 annuitants are receiving \$4 million per month. These 11 noncontributory systems provide mainly for "retired pay" to commissioned officers and enlisted men of the United States Army, Navy, Marine Corps, and Coast Guard; commissioned officers of the Coast and Geodetic Survey and Public Health Service; the Army and Navy Nurse Corps; certain employees of the Lighthouse Service; judges of the United States Courts and justices of the Supreme Court; and the Hawaiian judiciary. Lump-sum survivors' benefits are provided only in the case of the death, before retirement, of commissioned officers of the Army, Navy, Marine Corps, and Coast Guard. Payments under these noncontributory systems are not so clearly insurance payments as payments based on employee contributions. They are included here because they are awarded on the

<sup>8</sup> Hawaii and 17 States. 4 States pay noncontributory pensions, 1 of these only on a needs basis. Of the 14 contributory systems, 7 provide for State employees only; 6, including Hawaii, for State and local employees; and 2 for local employees only.

basis of past service, which was indicated above as one of the distinguishing characteristics of social insurance. In their effect on the individual beneficiaries, on the labor market, and on income payments, the noncontributory public retirement systems are definitely similar to the contributory systems.

The annuitants under State retirement systems, teachers'-pension plans, general retirement programs for county and city employees, and special plans for firemen or policemen or both are estimated at almost 100,000; their monthly benefits probably exceed \$6 million. Many of these plans include survivors' benefits, especially the plans for firemen and policemen which insure against the special hazards of these occupations in much the same way as workmen's compensation laws.

Most of the payments to individuals by the Veterans' Administration may be considered social insurance in the broad sense. These are special payments based on one small segment of previous employment—the war-time employment of these members of the civilian population—and not on the basis of need. In cases of service-connected disabilities, veterans' pensions and survivors' allowances are comparable to payments under workmen's compensation. So also are the payments to disabled emergency officers of the World War and pensions for enlisted men discharged from military or naval service (the "Regular Establishment") because of service-connected disability incurred in time of peace. Payments of these types are now being made to World War veterans at the rate of almost \$20 million per month. Another \$1.5 million per month is being paid to World War veterans with non-service-

connected disabilities and \$350,000 per month to the survivors of such veterans. Veterans' pensions and survivors' allowances aggregating \$13 million per month are also being paid with respect to service in the wars of the United States up to the World War. Some of these payments are undoubtedly for service-connected disabilities; others are old-age payments, comparable in many respects to payments under the noncontributory retirement systems. Other payments to individuals by the Veterans' Administration are of a different character—for example, the payments of adjusted-service compensation (the "bonus") for World War veterans, which bulked so large on chart II in 1931 and 1936, and payments for military and naval insurance ("war-risk" insurance), and United States Government life insurance.

### *In Summary*

The tables and chart I have presented in some detail the social insurance payments to individuals under the Social Security Act, the Railroad Retirement Act, the State unemployment compensation laws, and the Railroad Unemployment Insurance Act. In 1938 these amounted to more than \$500 million; in 1939, to \$560 million. The dimensions of other social insurance programs have been indicated in much more general terms. Workmen's compensation payments of a quarter of a billion, retirement payments to Federal, State, and local public employees aggregating \$180 million, and social insurance payments to veterans of almost \$400 million bring the total social insurance payments in the United States close to \$1.4 billion a year.