

has become an essential part of the American way of life. But "we still have a long way to go before we can truthfully say that our social security system furnishes the people of this country adequate protection. Therefore we should lose no time in making our Social Security Act a more perfect instrument for the maintenance

of economic security throughout this country.

"I expect to present to the Congress specific recommendations looking toward this objective."

A sound social security system, he added, "requires careful consideration and preparation. Social security worthy of the name is not a dole or

a device for giving everybody something for nothing. True social security must consist of rights which are earned rights—guaranteed by the law of the land. Only that kind of social security is worthy of the men and women who have fought and are now fighting to preserve the heritage and the future of America."

Ten Years in Review

DEMOCRACY CAN thrive, President Roosevelt once said in a talk to the Nation, only when it adequately respects the dignity of the common people "by so ordering society as to assure to the masses of men and women reasonable security and hope for themselves and for their children." Developments under the Social Security Act, summarized in the preceding section, are one measure of progress in establishing the groundwork for that security and hope.

Another measure is the adequacy and universality of the protection offered. The following pages outline briefly the extent to which our population shares in protection under the Social Security Act and related public programs; review developments in the three major programs for which the Social Security Board has administrative responsibility; and describe the expansion of social insurance in other countries during the past decade, despite war and the threat of war.

ance to provide income in their old age and protection for their families.

Yet even in a year like 1944, when the threat of unemployment was at a minimum, there were relatively few families whose economic security and independence would not be seriously lessened or lost by the old age, disability, or death of the family breadwinner. In an average year most families can save little or nothing out of current income. The major economic risks for which the insurance and assistance programs of the Social Security Act were established persisted in the wartime economy.

At the end of these 10 years since the Social Security Act became law, what, in terms of public provision for social security, do the people of the Nation possess?

Most workers in industry and commerce have or are earning protection

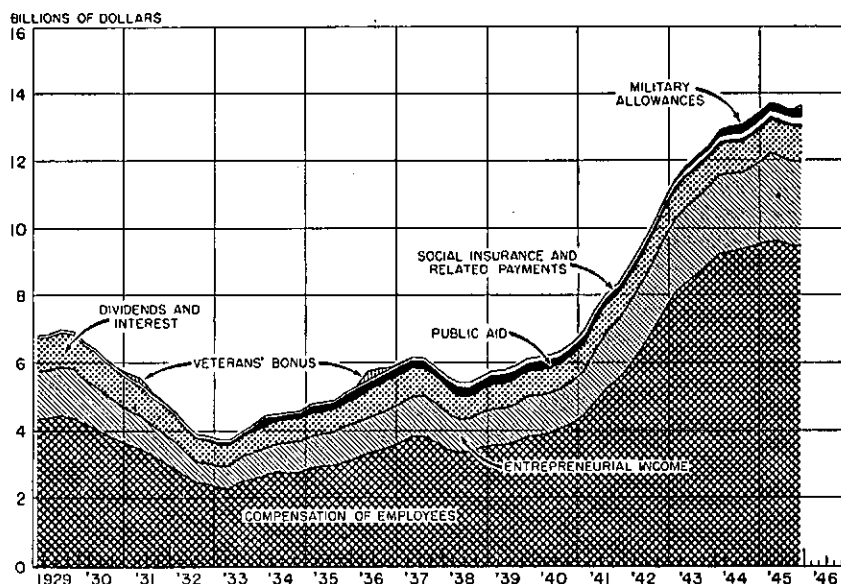
Social Security Today

IN THE TENTH YEAR of the social security program in the United States, the wartime economy gave an opportunity for earnings to nearly everyone who was able to take a job. Individual income, including pay of servicemen and allowances to their dependents, was at the highest levels in the country's history (chart 3). Nearly half the total population was in the civilian labor force or the armed services. Unemployment averaged not much more than three-quarters of a million persons, less than had been thought possible in any circumstances in this country. With the withdrawal from civilian employment of some 11½ million men and women into the armed forces and with the unprecedented demands for workers, millions of persons who otherwise could not have got or kept jobs were able to support themselves wholly or at least partially. Among these were old people, children and other inexperienced workers, handicapped persons, and women who ordinarily would not have taken work outside their own homes.

Steady work and higher wages, together with the lack of certain types of consumer goods, enabled many

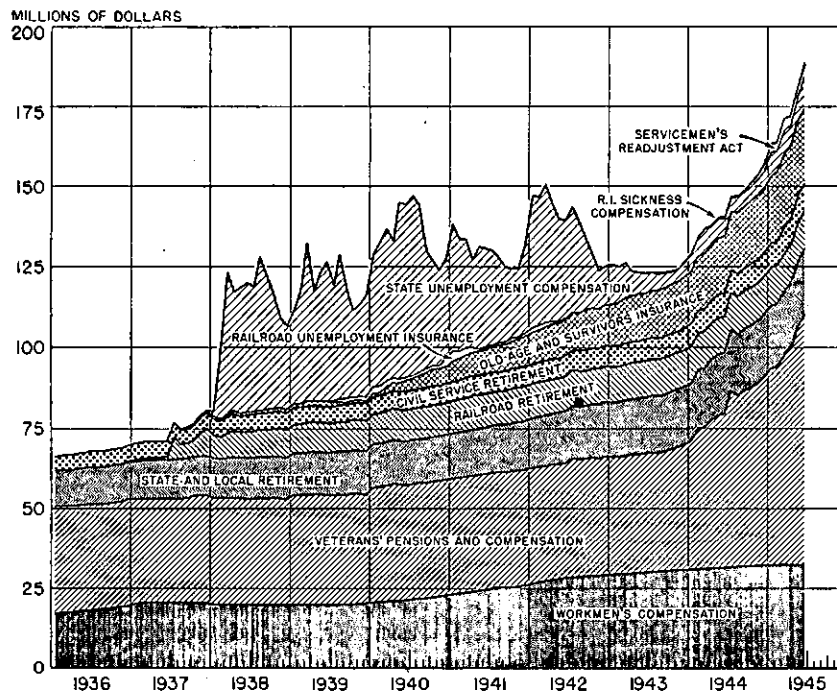
families to put aside appreciable savings for future contingencies. As in other years, too, a large number of persons were able to purchase or increase their holdings of private insur-

Chart 3.—Income payments to individuals, January 1929—June 1945¹



¹ Monthly average for each quarter for the period 1929-44; monthly data thereafter. Source: U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce.

Chart 4.—Payments under selected social insurance and related programs, January 1936–June 1945



under the Federal system of old-age and survivors insurance. In an average week in 1944, almost 30½ million of the 51.8 million employed persons were in jobs covered by old-age and survivors insurance. Another 4 million persons were railroad workers and Federal employees who were covered by special Federal retirement systems, and about half of the 3 million persons working for State and local governments were also members of special retirement systems. In general, however, these various special retirement programs give little or no insurance protection to survivors in the event of the worker's death.

Nor was insurance protection under the Social Security Act or other public programs available for the millions of agricultural and domestic workers, farmers, and other self-employed persons who were excluded from insurance coverage because of anticipated administrative difficulties in the early years of the program.

Except for those in small firms, most workers in industry and commerce were also covered by State unemployment compensation or railroad unemployment insurance systems. For veterans of the present war, readjustment allowances financed by the Federal Government were avail-

able to tide them over while they were finding suitable jobs.

Members of the armed forces and their families and veterans of this and earlier wars had various forms of public protection against death and disability. The Government's share of allowances to servicemen's dependents constituted an important source of income in 1944 and 1945, approaching by June 1945 the total expenditure under all social insurance and related programs and public aid, combined.

A large proportion of the workers in industry and commerce and in Federal employment, and some employees of State and local governments, were covered by workmen's compensation laws. Yet the work-connected injuries and illness compensated by such payments represent only a small fraction of all disabling illnesses and injuries. Railroad workers and Federal employees—and members of some of the State and local governmental retirement systems—had provisions for retirement in case of total disability, and Federal pensions and compensation were available for disabled war veterans and their survivors. Aside from these special groups, however, no general comprehensive social insurance provisions were in effect to

meet the risks of illness and disability.

For workers not covered by social insurance and for others for whom social insurance provisions were not adequate for one reason or another, public assistance was the main source of support when individual savings and help from relatives were inadequate to meet subsistence needs. With the termination by the middle of 1943 of Federal work programs and other Federal emergency programs initiated in the depression years, public aid comprised assistance to the needy aged, needy blind, and dependent children—nearly all of which was administered under the Social Security Act—and general assistance, administered and financed wholly by States and localities. These provisions varied greatly, however, from State to State and from locality to locality in the amount of assistance received and, for general assistance, in the extent to which aid was actually available to needy persons.

Unemployment

In August 1935, unemployment was undoubtedly the most serious major threat to family security. The Federal work programs to cope with that problem were just getting under way (chart 5). Expenditures under all forms of public aid amounted to nearly \$270 million in March 1936 and reached \$304 million in December 1938. By far the largest part of this amount represented aid to families whose potential wage earners could not get work.

In contrast to the situation 10 years ago, millions of workers have an insurance protection based directly on their covered employment and earnings and theirs as a right. During 1944 some 44 million persons worked at some time in jobs in which they earned wage credits toward unemployment benefits. Of these, about 36 million had sufficient credits to be eligible for benefits if they lose their jobs.

In an average week in 1944, State unemployment compensation systems paid benefits to some 79,000 unemployed workers, less than one-tenth the number for 1940, when the weekly average was 982,000. Adding the number of railroad workers receiving benefits under railroad unemployment insurance and of ex-servicemen drawing readjustment allowances under the G. I. Bill of Rights, the

weekly average of persons drawing unemployment benefits in the spring of 1945 was about 125,000.

Of the persons who filed valid claims for benefits under State laws in 1944, more than 4 out of every 10 did not draw benefits, mainly because they found other jobs almost immediately. Only 2 in 10 of those who did receive payments drew all the benefits for which they were eligible. In 1940, more than half of the workers who drew unemployment benefits were unemployed at least long enough to exhaust all their benefit rights.

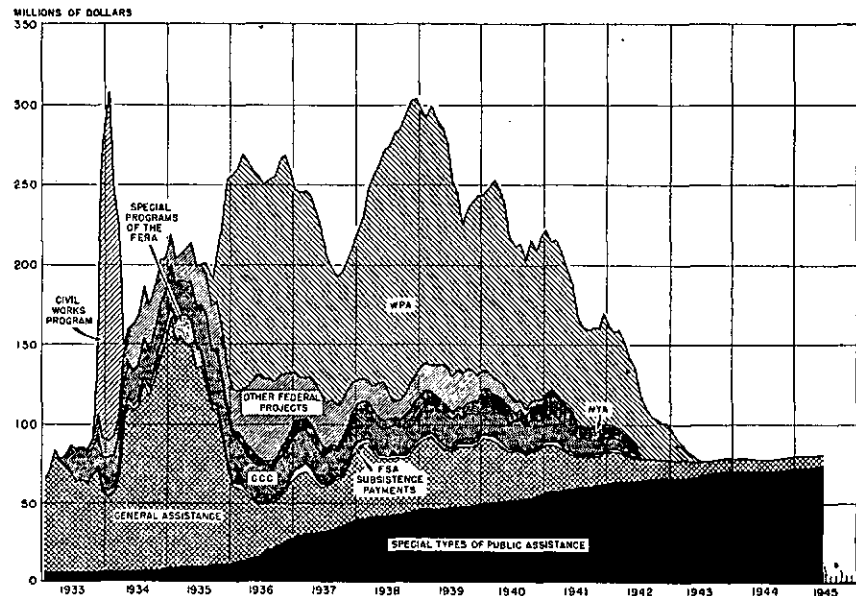
Old Age

Of some 9.9 million men and women aged 65 or over in December 1944, somewhat more than 2½ million were employed. About 900,000 of the latter were men who had aged wives not themselves in the labor force. Current earnings therefore may have represented an important source of support of about a third of the aged population. Of the remaining 6 million, nearly half were receiving some income from insurance or assistance under the Social Security Act or retirement benefits under the Railroad Retirement Act. Some 450,000 old people had benefits under the special retirement system for employees of Federal, State, and local governments, and under veterans' programs. Others depended wholly on savings or other income of their own, contributions from their family and friends, or private charity, or they were in institutions.

About 2.1 million needy old people were receiving assistance under the Social Security Act. This number was about the same as in December 1940, though the age group eligible for this type of assistance had increased by about three-quarters of a million persons in the 4 years. The average age of these recipients was about 75 years, and many were incapacitated by other disabilities as well as by age.

The war had brought employment opportunities to some old people, and others benefited from increased earnings of other members of the family. A substantial number, too, have been helped by allowances or other payments to dependents of servicemen. And with each year an increasing number of aged persons is becoming eligible for old-age and survivors insurance. As a result of these and

Chart 5.—Payments to recipients of public assistance and earnings of persons employed under Federal work programs in the continental United States, January 1933–June 1945



other factors, the total number of aged persons who applied for old-age assistance in 1944 was less than half that in 1940 and fewer than in any of the intervening years.

It is possible that by the beginning of 1945 these factors had had their maximum effect in enabling recipients to leave the rolls and other aged persons to refrain from applying for assistance. For the aged who are unable to work regularly in covered employment and for those whose working lives are spent wholly or mostly in noncovered occupations, public assistance will be the major source of support when individual savings and help from relatives and friends are inadequate for even their modest needs.

Old-age and survivors insurance has come to play an increasingly significant role in providing a basic retirement income to a portion of the aged population in the 5 years since monthly benefits became payable. By June 1945, some 760,000 old people were on the rolls to receive either retirement or survivor benefits, including retired wage earners entitled to primary benefits on the basis of their own previous earnings, their aged wives, and widows or dependent parents of deceased insured wage earners.

But for the war the number of aged beneficiaries would undoubtedly have

been much greater. Almost 750,000 fully insured aged workers who might have qualified for benefits had never applied, presumably because they were still continuing to work in covered employment. In June 1945 an additional 110,000 persons who had qualified for benefits had their monthly payments suspended because they or the person on whose wage record their benefits were based had jobs in covered employment. Many of the workers not receiving benefits were men whose aged wives might also have qualified.

Disability

Except as families were enabled to put by more savings, the employment opportunities of 1944 offered no real solution to the threat of disability, perhaps the most serious threat to family security because it strikes erratically and often without warning, may occur when family responsibilities are heaviest, and brings not only loss of earnings but also expenses of medical and hospital care. Probably 7 or 7½ million persons were disabled on an average day in 1944; for somewhat less than half of them the disability had lasted 6 months or longer. Some of these millions were old people who were receiving retirement benefits or public assistance, but perhaps half were in the working ages and presumably would have been in the labor force if they had not been disabled.

Except for persons with occupational illnesses and disabilities and for war-disabled veterans, there was no significant public provision to offset wage loss among these millions of persons and their dependents. Protection against wage loss due to work-connected disabilities is available under State workmen's compensation laws to most workers in industry and commerce; but disabilities of occupational origin, including the relatively numerous work injuries to agricultural workers, not covered by unemployment compensation laws, constitute less than 10 percent of all disabilities.

At the end of 1944, slightly more than 40,000 former government workers were receiving monthly disability benefits, almost all for long-continued disabilities. About the same number of former railroad workers were receiving monthly disability benefits; such payments, however, are available only to workers who have reached age 60 or have had 30 years of railroad employment, and the payments are therefore more in the nature of retirement than disability benefits.

About 4,500 individuals were receiving weekly sickness benefits at the end of 1944 under the sickness compensation program in Rhode Island, the only State including wage loss from sickness in its unemployment compensation program.

Some 900,000 veterans of the present and earlier wars were receiving disability benefits. For about 3 out of every 10 cases the disability was rated as at least 60 percent of total; the others had partial disabilities of a kind that would have excluded them from the count of 7 or 7½ million mentioned above.

Provision against the risk of disability is provided under the Social Security Act only on a needs basis through the public assistance programs. Payments under the act for aid to the blind were being made at the end of 1944 to about 56,000 needy blind persons. More than 50,000 of the families receiving aid to dependent children, it is estimated, were in need as a result of the incapacity of the father. And sickness or disability was the most important single reason for granting general assistance to families in large cities reporting regularly to the Board on their general assistance programs.

Death of the Family Earner

The original Social Security Act provided insurance programs to meet the risks of unemployment and old age, but the only insurance provision for survivors of deceased wage earners was a lump-sum payment on the worker's death. The 1939 amendments shifted the emphasis of that program to protection of the family and inaugurated monthly benefits to survivors of insured workers.

Of all children under 18 in the population at the end of 1944, between 2½ and 3 million were fatherless. About 200,000 of the latter were working—a much larger number than would be found in a normal year and than is socially desirable, since such work interrupted or cut short their schooling in many instances. About one-fifth of the others were receiving survivor benefits under old-age and survivors insurance or aid to dependent children. Some 70,000 were receiving benefits as survivors of veterans, and an equal number were being cared for away from home in foster homes or institutions. Almost half of the 3.2 million widows under age 65 were employed, and about one-tenth were benefiting from payments under the Social Security Act or other insurance and related programs. If the widow of an insured worker has no children in her care, she is eligible only if she is at least 65 years of age. Probably about two-thirds of all widows under age 65 have no children under age 18 in their care.

Some 40 million workers are insured under old-age and survivors insurance so that, if they should die, benefits would be payable to their eligible survivors. By the middle of 1945, almost 380,000 children and 145,000 widows with children in their care and 80,000 aged widows were entitled to monthly insurance payments. Both the number of survivor benefits and their relative importance are increasing with each year, as more wage earners acquire insured status. Many aged widows not eligible for insurance benefits were receiving old-age assistance. Of the children receiving aid to dependent children, probably about one-third—some 230,000 children in about 100,000 families—were receiving assistance because of the death of the father.

Medical Costs

Few families go through a year

without some need for medical services. Some pay little or nothing for such services, while the costs for others run into hundreds or even thousands of dollars. And no family can be sure how much medical care they are going to need or what it will cost. In general, however, the need is greatest among low-income families. These receive substantially less care than those in higher income groups, and at the same time they spend a greater proportion of their income for the care they do receive.

The amount of medical care available to the civilian population in 1944 was limited by the needs of the armed forces for doctors, nurses, dentists, and other medical technicians. There were also critical shortages of medical facilities and personnel in war-industry centers, as well as in other areas, predominately rural, which had had inadequate services even before the war. The high level of employment and wages, on the other hand, gave many families more money than they previously had had to purchase medical care.

Perhaps \$4 billion was paid in 1944 by individual families to doctors, dentists, hospitals, or laboratories, or for medical supplies, either directly or through voluntary prepayment plans. Payments of about \$140 million were made under workmen's compensation programs for medical and hospital care for workers disabled in the course of their employment. Federal, State, and local governmental expenditures amounted to some \$906 million during fiscal years ended in 1944. This amount included public health services, hospital care and construction, maternal and child health services and services for crippled children, as well as emergency wartime health and medical services.

It did not include medical care for the armed forces or amounts spent by public welfare agencies for medical services for needy and low-income groups. Expenditures for medical services for veterans, amounting to \$98 million in 1944, and for several of the emergency wartime health programs were considerably higher than in the preceding year.

All in all, the American people paid more than \$5 billion for civilian health and medical services in 1944, of which about one-fifth was financed from taxes. Of the \$4 billion spent by individuals, about one-twentieth was

paid through voluntary prepayment insurance plans. Such plans afford varying degrees of protection to those whom they cover. Their main shortcomings are that they reach only a part of the population, failing to reach those who have the greatest need of medical care insurance, and that their protection commonly is limited to costs of hospitalization or to hospital and surgical expenses.

A Foundation for the Future

Today, after 10 years of operation under the Social Security Act, when the Nation's economic and productive capacity is at a high level, two facts stand out clearly—the basic importance of employment as a source of economic security for individuals and families, and the magnitude of the continuing risks to such security.

Since only about three-fifths of the jobs in the Nation are covered by the basic Federal social insurance system, and a slightly smaller proportion by unemployment insurance, there are many workers who have no employment or only a part of their employment in covered industry and have therefore no protection or in-

adequate protection under these programs for themselves and their families.

For nearly the whole population, social insurance against wage loss in nonoccupational sickness or injury is lacking, and most in the population lack any comprehensive insurance protection—public or voluntary—against costs of medical care. The great general advance in State public assistance programs in the past decade, moreover, still leaves many areas without adequate provision for the needy aged, needy blind, and dependent children. All are without Federal participation in general assistance to assure that needy persons who do not qualify for the special types of assistance have some recourse to public aid when they lack the minimum essentials for subsistence.

In both insurance and assistance, however, the programs established under the Social Security Act have resulted in actual or potential protection to millions of families in the United States and have laid a foundation in public understanding and administrative experience on which to build for the future.

then Governor of New York State, urged establishment of contributory old-age insurance in that State, and in 1934, in a message to Congress, he urged it for the Nation.

Insurance to provide old-age income was nothing new. Many countries in Europe and South America had had long experience in administering government plans for either industry in general or special industries. After several countries had experimented with voluntary plans and had acquired some experience with special industry plans, notably for seamen and coal miners, Germany enacted a comprehensive old-age and invalidity insurance plan for most workers in the country in 1889. By 1939, at least 30 countries had compulsory old-age insurance systems for some or all workers.

Nor was systematic provision for workers entirely unknown in this country. In 1935, about 3 million workers were covered by private retirement plans, and an additional 1.3 million public employees, by Federal, State, and local government retirement systems. These retirement plans had demonstrated the value of systematic protection for workers. Moreover, a Federal law providing old-age and disability benefits for railroad workers on a contributory basis had been enacted in 1934 and, although it was declared unconstitutional, had been superseded by another measure in 1935.

Social insurance for survivors of workers was not included in the recommendations which the Committee on Economic Security laid before Congress at the time the Social Security Act was being formulated. About the only advocacy of such a measure on record is that of a committee of the White House Conference on Child Welfare in 1930. In other countries also, such legislation followed that for old-age insurance. Except for a few plans for special industries, no comprehensive legislation was passed until 1911, when Germany again pioneered in adding such protection to its social insurance code.

By 1935, 16 countries had established survivors' insurance. In the United States, "mother's pension" plans had become popular; 48 States had passed laws to provide assistance for needy mothers and children. The majority of the plans were optional

Old-Age and Survivors Insurance

IN TERMS OF THE time it will require for old-age and survivors insurance to reach full maturity, it is still in its childhood. The number of beneficiaries today is only a fraction of the number who will be receiving benefits 10 or 15 years hence. Acceptance by employers and workers of the idea of social insurance protection for old people and survivors, however, has been little short of phenomenal.

This general acceptance is the more remarkable because of widespread opposition to the idea of social insurance—even on the part of organized labor until 1932—before the passage of the Social Security Act. In preceding decades, moreover, there had been relatively little public demand for old-age and survivors insurance, though much general interest in unemployment insurance.

What was probably the first public study of old-age dependency in this country, that of the Massachusetts Commission on Old Age Pensions, Annuities, and Insurance, 1908-09,

recommended against government protection for old people through either insurance or public assistance. The prevailing reason given by the commission was that lightening the obligation of children to provide for their parents would tend to destroy the ties between parent and child and promote the disintegration of the family. By the time the Social Security Act was passed, six more States had authorized studies of pensions and insurance, but only in Pennsylvania had a commission recommended the adoption of contributory insurance as a long-range measure.

Before 1935, most of the pressure had been for State old-age "pensions" or assistance, on a needs basis, and for the Townsend Plan—flat payments to all old people. The former had resulted in enactment of old-age assistance laws by more than half the States; the latter, in an organized movement of old people which put great pressure on Congress. As early as 1931, however, President Roosevelt,