

to 1958. In contrast, for Negro workers this percentage is 54. Quite clearly, this difference indicates that not only are Negro workers more frequently displaced on the business cycle downswing but, once displaced from jobs at high earnings levels, they are less prone to return to employment in those industries on the upswing of the cycle. Such a pattern certainly contributes to declining Negro relative income.

## CONCLUSIONS

The findings of this exploration of interindustry mobility patterns have revealed the existence of sizable amounts of both voluntary and involuntary mobility among the labor force in the United States. The indication that there is a meaningful amount of purposive mobility in the economy is reassuring. Its presence makes possible some of the marginal adjustments in the labor market envisaged in the conventional economic theory of the operation of the labor market.

Such a conclusion suggests that the process of interindustry labor mobility has the potential for making a significant contribution toward solving some of the problems discussed initially—reducing unemployment, increasing economic growth, and

limiting inflation. At the same time the existence of such a large amount of involuntary mobility is somewhat disquieting. The greater the amount of such mobility the greater the pressure on the labor-market adjustment mechanism and the more difficult it becomes to achieve a given level of efficiency in the economy. Of particular concern in this respect is the substantial amount of labor-force withdrawal that occurs whenever displacement of workers takes place. To the extent that this labor-force withdrawal is the result of an inability of the labor-market mechanism to present workers with alternatives sufficiently attractive to keep them in the labor force, such withdrawal represents a loss of output for the economy.

The differences between mobility patterns among Negroes and all workers also provide some insight into the reasons for relatively low levels of earnings among Negro men. Apparently, Negroes are more prone to change jobs, are more likely to be shifted towards low-earnings industries, and are more adversely affected in employment and income by the impact of the business cycle. The cumulative effect of these phenomena is to contribute to the relative decline in the earnings level of Negro men noted earlier.

---

## Notes and Brief Reports

### OASDHI Contributions on Cash-Payment Basis\*

Estimates of quarterly OASDHI contributions from 1951 through 1964, defined on a cash-payment basis, are presented in the tables that accompany this note—for employees, employers, and the self-employed and for all contributors and all individuals.

There are several possible ways of relating contributions to a specified time period. For some purposes, the relevant measure is that of tax liability accruing during the quarter or other period in question. Another measure would count

\* Prepared by Michael Resnick, Division of Statistics, and Kenneth Sander, Division of Program and Long-Range Studies.

the contributions actually received by the Government during the quarter. With a further time lag, these contributions become Treasury appropriations to the trust funds.

The latter series is published in table M-3 of the Current Operating Statistics section of the BULLETIN and is the one most frequently used in analyses of social security financial operations. However, since OASDHI contributions and personal income taxes are not segregated in tax collection reports received by the Treasury, monthly appropriations to the trust funds are of necessity estimated. Subsequent adjustments to the initial appropriations, made when more complete information on taxable earnings becomes available, are recorded in the month when the adjustment is made. A quarterly total of contributions derived from table M-3 data may therefore include contributions actually paid several months before the quarter.

The new series presented here picks up at a

TABLE 1.—Estimated payments<sup>1</sup> of OASDHI contributions, quarterly and annual totals

[In millions]

Year	Calendar quarter				Calendar year
	1	2	3	4	
1951.....	\$787	\$922	\$861	\$722	\$3,292
1952.....	1,022	975	906	763	3,736
1953.....	1,175	1,070	969	751	3,965
1954.....	1,405	1,400	1,258	985	5,048
1955.....	1,338	1,804	1,491	1,226	5,859
1956.....	1,664	2,031	1,561	1,264	6,520
1957.....	2,023	2,452	1,893	1,448	7,816
1958.....	2,045	2,555	1,977	1,460	8,037
1959.....	2,337	2,955	2,360	1,911	9,563
1960.....	2,998	3,715	2,920	2,243	11,876
1961.....	3,116	3,826	2,913	2,281	12,136
1962.....	3,433	4,238	3,171	2,369	13,211
1963.....	3,982	5,038	3,764	2,801	15,585
1964.....	4,383	5,340	4,043	2,891	16,657

<sup>1</sup> The sum of payments by employees, employers, and the self-employed after refunds to multiemployer workers. Includes Federal civilian and military contributions.

point more or less midway between accruing liability and cash receipts of the Government. What it represents is the amounts withheld from employees' paychecks (and thus removed from the stream of consumer purchasing power) during a specified quarter, plus the net amount (of their own funds) transferred from employers to the Treasury, plus the collections from the self-employed in this quarter. The method of deriving the estimates is described in the sections that follow.

Whatever measure is used, there is a marked seasonal pattern in OASDHI contributions resulting from the maximum on taxable earnings. The maximum had been \$3,000 at the start of the program; from 1951-54 it was \$3,600, from 1955-58 it was \$4,200, and from 1959 through 1965 it was \$4,800 (beginning January 1966, it has been \$6,600). Contributions for an individual are collected at the current rate specified in the law on earnings up to the maximum; if an individual reaches the maximum in the first, second, or third quarter he pays no further contributions during that year.

The new series is similar to those originally developed for use in a study of the possible economic consequences of the seasonality in OASDHI contributions.<sup>1</sup> For this purpose, what was needed was a measure of the timing of payments (direct or in the case of the employee indirect)

<sup>1</sup> A report of this study, by Joseph Bonin, will be published by the Social Security Administration in the near future.

of contributions by the contributors rather than the times of their receipt by the trust fund. The cash payment measure has value for other kinds of economic analysis. It is planned therefore to update and publish the series annually.

The differences between the timing of payments by contributors and appropriation to the trust funds can be illustrated by data for 1964 in the tabulation that follows. The appropriations (like

[In millions]

Quarter	Total OASDHI contributions			
	Payments of all contributors		Treasury appropriations to the trust funds	
	Amount	Percent	Amount	Percent
Total.....	\$16,657	100.0	\$16,789	100.0
First.....	4,383	26.3	3,897	23.2
Second.....	5,340	32.1	5,664	33.7
Third.....	4,043	24.3	4,354	25.9
Fourth.....	2,891	17.4	2,874	17.1

Treasury collections) were more heavily concentrated in the second and third quarters and were considerably lower in the first quarter than the amounts shown for payments of all contributors.

The new series is of interest in showing the different payment patterns of the different types of contributors and how the patterns change with the passage of time and new social security legislation.

The sum of payments made by employees, employers, and the self-employed are shown in table 1; the components of the total in tables 2, 3, and 4.

*Employee cash payments* (table 2).—Employee payments are effected through withholding from employees' pay. As a result, the payment is completed without an actual cash exchange. It is still considered a payment, because in the absence of the withholding requirement, the employee would receive the money represented by the contributions. Payments are net of multiemployer refunds. Federal civilian and military employee contributions are included.

*Employer cash payments* (table 3).—Employer cash payments represent the total amount of contributions paid the Federal Government by employers (which includes both the employee and employer shares), less the amount of employee

TABLE 2.—Estimated employee cash payments<sup>1</sup> of OASDHI contributions, quarterly and annual totals

[In millions]

Year	Calendar quarter				Calendar year
	1	2	3	4	
1951.....	\$453	\$458	\$415	\$338	\$1,664
1952.....	477	470	435	360	1,742
1953.....	522	516	462	340	1,840
1954.....	688	673	599	450	2,410
1955.....	731	749	721	564	2,765
1956.....	833	827	746	582	2,988
1957.....	1,038	1,013	898	653	3,602
1958.....	1,019	988	895	664	3,566
1959.....	1,222	1,250	1,127	891	4,490
1960.....	1,577	1,570	1,387	1,009	5,543
1961.....	1,500	1,568	1,382	1,042	5,582
1962.....	1,784	1,759	1,487	1,070	6,100
1963.....	2,148	2,124	1,762	1,264	7,298
1964.....	2,301	2,220	1,890	1,277	7,688

<sup>1</sup> Includes Federal civilian and military employee contributions; net of refunds to multiemployer workers.

withholdings available at payment dates during the quarter. The use of this concept of employer payments results in a measure of the amount used by the employer from his own funds to pay his liability for both employer and employee contributions to the Federal Government. In contrast to employees, employers receive no refunds for payments they make with respect to multiple jobholders. Federal civilian and military employer payments are included.

*Cash payments by the self-employed* (table 4).—Cash payments by the self-employed can also be viewed as cash receipts of the Federal Government from self-employment contributions. The self-employed remit payments directly to the Federal Government, with no offset from withholding and without any lag in receipt by the Government.

TABLE 3.—Estimated employer cash payments<sup>1</sup> of OASDHI contributions, quarterly and annual totals

[In millions]

Year	Calendar quarter				Calendar year
	1	2	3	4	
1951.....	\$334	\$464	\$446	\$384	\$1,628
1952.....	403	505	471	403	1,782
1953.....	435	554	507	411	1,907
1954.....	493	727	659	535	2,414
1955.....	577	784	770	662	2,793
1956.....	678	884	815	682	3,059
1957.....	806	1,087	995	795	3,683
1958.....	832	1,176	1,082	796	3,886
1959.....	912	1,316	1,233	1,020	4,481
1960.....	1,203	1,664	1,533	1,234	5,634
1961.....	1,268	1,689	1,531	1,239	5,727
1962.....	1,379	1,902	1,684	1,299	6,264
1963.....	1,556	2,306	2,002	1,537	7,401
1964.....	1,769	2,431	2,153	1,614	7,967

<sup>1</sup> Includes Federal civilian and military employer payments.

TABLE 4.—Estimated cash payments<sup>1</sup> of OASDHI contributions by the self-employed, quarterly and annual totals

[In millions]

Year	Calendar quarter		Calendar year
	1	2	
1952.....	\$212	.....	\$212
1953.....	218	.....	218
1954.....	224	.....	224
1955.....	30	271	301
1956.....	153	320	473
1957.....	179	352	531
1958.....	194	391	585
1959.....	203	389	592
1960.....	218	481	699
1961.....	258	569	827
1962.....	270	577	847
1963.....	278	608	886
1964.....	313	689	1,002

<sup>1</sup> Cash payments by the self-employed are all in first and second quarters; no payments in 1951.

*Total individual cash payments* (table 5).—This is the sum of employee contribution payments and the contribution payments by the self-employed. It measures the direct impact of payments on consumers.

#### HOW THE ESTIMATES WERE MADE

Since no tabulations of OASDHI contributions by time of payment are available, it was necessary to rely on indirect information. The information used consisted primarily of regulations relating to time of payment and the data on quarterly or annual amounts of taxable wages and self-employment income.

The general procedure followed was to establish liability for OASDHI contributions for a given time period by multiplying taxable wages and earnings by the applicable tax rates. Payment patterns determined from regulations and other sources were then applied to the amounts of liability in order to arrive at the estimates of cash payments. This procedure was followed for several groups of contributors—for example, private household workers, State and local government employees, and the nonfarm self-employed. The separate estimates for each group were then combined into final estimates for each of the series.

No allowance for delinquent payments was made, because of lack of data. It is likely that delinquent payments are a fairly constant small percentage of total payments and that no significant errors were introduced by not taking explicit account of them.

TABLE 5.—Estimated individual cash payments<sup>1</sup> of OASDHI contributions, quarterly and annual totals

[In millions]

Year	Calendar quarter				Calendar year
	1	2	3	4	
1951.....	\$453	\$458	\$415	\$338	\$1,664
1952.....	689	470	435	360	1,954
1953.....	740	516	462	340	2,058
1954.....	912	673	599	450	2,634
1955.....	761	1,020	721	564	3,066
1956.....	986	1,147	746	582	3,461
1957.....	1,217	1,365	898	653	4,133
1958.....	1,213	1,379	895	664	4,151
1959.....	1,425	1,639	1,127	891	5,082
1960.....	1,795	2,051	1,387	1,009	6,242
1961.....	1,848	2,137	1,382	1,042	6,409
1962.....	2,054	2,336	1,487	1,070	6,947
1963.....	2,426	2,732	1,762	1,264	8,184
1964.....	2,614	2,909	1,890	1,277	8,690

<sup>1</sup> Sum of employee cash payments and cash payments by the self-employed.

A profit-maximization assumption was consistently followed—that is, that contributors paid on the latest date possible. For some nonfarm self-employed persons, it was assumed that the prospect of personal income-tax refunds outweighed the gain involved in delaying payment of OASDHI contributions. As a result, some nonfarm self-employment contributions were assumed to have been paid in the first quarter instead of the second quarter. Likewise, it was assumed that some multiemployer refund recipients took their refunds in the second quarter because they owed personal income taxes that were due in the second quarter.

*Employee cash payments.*—Employee contributions are paid by employees in the same quarter that taxable wages are paid because of the withholding requirement. Estimates of employee payments were arrived at by applying the appropriate tax rate to quarterly taxable wages as reported by employers. An exception was the treatment of private household workers, where it was assumed that employers paid a portion of the employee contributions. Multiemployer refunds were subtracted from the withheld quarterly contributions in arriving at the final figure for employee payments.

*Employer cash payments.*—As mentioned earlier, employer cash payments are a residual figure. Withheld employee contributions available at the time employers make payments to the Federal Government are subtracted from Federal Govern-

ment cash receipts of OASDHI contributions attributable to wages and salaries, before refunds.

Over the course of a quarter, an employer making monthly payments has available employee withholdings from approximately the last 2 weeks of the previous quarter and the first 2 weeks of the current quarter. Employers making quarterly payments have available the last 2 months of the previous quarter and the first month of the current quarter. This pattern is established by the payment dates of each type of employer.

For estimating purposes, one-half of employee payments in the last month of a quarter that are attributable to employers making monthly payments to the Federal Government were carried into the next quarter. For employers making quarterly payments, the last 2 months of a quarter of employee payments were carried into the next quarter. The amount of withholdings available to employers in the same quarter as the one in which they were withheld was determined by subtracting the carryover into the next quarter from the total amount withheld in the quarter. To arrive at the final estimates of employer payments for the quarter, the carryover of employee payments from the previous quarter plus employee payments available in the same quarter as the one in which they were withheld was subtracted from estimated Federal Government cash receipts of the contributions (before refunds and including Federal civilian and military payments). Contributions by State and local governments and by Federal agencies have a somewhat different timing, which is taken into account in the estimates.

*Cash payments by the self-employed.*—Contributions of the self-employed, based on the previous year's taxable earnings, are due when personal income taxes are paid. Filing and payment regulations require that the farm self-employed pay their contributions in the first quarter of the year. From 1955 to 1964 the nonfarm self-employed paid their contributions in both the first and second quarters, but it was assumed that most of them paid in the second quarter. In the period 1951-54 a March 15 payment date was effective, and all payments were assigned to the first quarter. Although self-employment contributions could be paid along with quarterly declarations of estimated personal income taxes, it was assumed that

none were paid quarterly because such payment was not required.

## EFFECT OF NEW PAYMENT REGULATIONS

Starting in June 1966, Internal Revenue Service regulations require two monthly payments from employers who are liable for more than \$4,000 in payroll taxes in a month. About 65 percent of the dollar amount of OASDHI contribution payments come under the new regulations.

The first payment on a month's liability is due by the nearest banking day after the 15th of the month, for liability incurred through the 15th. The second payment is due within 3 banking days after the close of the month, for liability incurred after the 15th. The effect of the new regulations on OASDHI tax receipts of the Federal Government from the public is to accentuate an already marked seasonality.

Because of the taxable maximum on earnings, contribution liability is high in the first 6 months of the year and declines rapidly thereafter, and the low point is reached in December. Under the previous payment pattern, December's liability was paid in January, and cash receipts in the first quarter were thereby reduced. Under the new system, about one-third of December's liability will be received by the Government in December and about the same proportion of March's liability will be paid in March. The first-quarter receipts of the Government would thus be higher than they would have been under the old system for the same quarter. Fourth-quarter receipts would be lower, because of the loss of receipts from September's liability. There would be little change in second-quarter receipts, and third-quarter receipts would decline.

Employee cash payments by quarter are unaffected by the new regulations. Employer payments will be affected in a manner similar to Government cash receipts. First-quarter payments will be higher, and second-quarter payments will be unchanged in relation to expected payments under the old system. Third- and fourth-quarter payments will decline.

## Report of the Advisory Council on Public Welfare\*

In July 1964, an Advisory Council on Public Welfare was appointed by the Secretary of Health, Education, and Welfare "to review the administration of the public assistance and child welfare services programs for which the Social Security Act authorizes Federal funds; and to make recommendations for improvements in these programs, taking account of their administration, relationships with the old-age, survivors, and disability insurance program, the fiscal capacities of the States and the Federal Government, and other matters relating to Federal-State shares in these assistance and welfare services programs."<sup>1</sup>

On June 29, 1966, the Council submitted its report to the Secretary of Health, Education, and Welfare. In setting forth its proposal for a comprehensive program for basic social guarantees, the Council spelled out detailed recommendations in the following areas: assistance standards, eligibility for aid, eligibility determination, child and youth welfare services, other social services, legal rights, personnel, states' share, and federal share.

Chapter V of the report sums up the thinking of the Council after its review of the relationships of the welfare program and the social insurance programs. *The chapter is printed verbatim below.*

### V. SOCIAL INSURANCE PROGRAMS AND PUBLIC WELFARE

THE SOCIAL INSURANCE system is primarily designed to help meet income needs for employed wage earners when their earnings cease or are interrupted. While our present social insurance system is fragmented into various programs, such as Old Age, Survivors, Disability, and Health Insurance, Unemployment Insurance and Workmen's Compensation, its effectiveness can be measured by the extent to which all wage earners and risks are covered and the adequacy of

---

\*The Advisory Council on Public Welfare, "Having the Power, We Have the Duty"—Report to the Secretary of Health, Education, and Welfare (Welfare Administration), June 1966.

<sup>1</sup> Title XI, section 1114, of the Social Security Act as amended in 1962.