

Movement of Workers Into and Out of Covered Employment, 1937 and 1938

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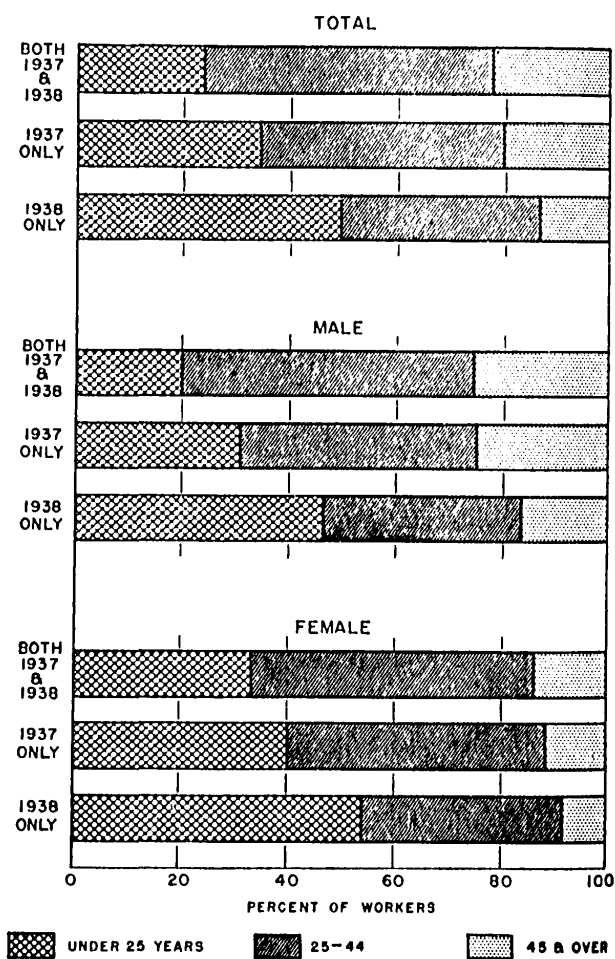
EMPLOYMENT AND WAGE STATISTICS compiled by the Bureau of Old-Age and Survivors Insurance reveal considerable movement of workers into and out of covered employment. Such movements take place constantly and are reflected both in employment data for a particular year and in data covering successive years. This article is confined to an analysis of the movements into and out of covered employment as between 1937 and 1938. The important movements within a year will be treated in a subsequent article.

During the first two years of operation of the old-age insurance program, 1937 and 1938, there were large groups of individuals who worked in covered employment in one year but not in the other. About 5.6 million, or 17 percent of the approximately 32.8 million¹ persons for whom taxable wages were reported in 1937, were not reported in 1938. In 1938 approximately 4 million persons, or 13 percent of the 31.2 million workers for whom taxable wages were reported, had no covered employment in the preceding year. About 9.6 million workers, therefore, were reported to have received taxable wages in only one of the two years; they constituted about 26 percent of the 36.8 million workers who received taxable wages either in 1937 or in 1938 or in both years. In addition to the 9.6 million individuals who were reported in covered employment only in 1937, or only in 1938, there were approximately 27.2 million workers who received some taxable wages during each of the two years (table 1). Individuals employed in both years constituted 83 percent of all workers for whom covered employment

was reported for 1937 and 87 percent of all workers for whom 1938 reports were made.

The tendency of workers to move into and out of covered employment presents an important problem in the operation of the old-age and survivors insurance program. Each year some workers will obtain covered employment for the first time while others will be separated from covered employment, either temporarily or permanently. Since insured status and the amount of

Chart 1.—Percentage distribution of workers with taxable wages in both 1937 and 1938, in 1937 only, and in 1938 only, by age and sex



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¹ Figures given in the text on the total number of workers are slightly larger than those in the accompanying tables, because of the fact that they include a relatively small number of employees who were excluded from the tables because their age, sex, and/or race were unknown or because they held railroad retirement account numbers. For the same reason, these figures differ slightly from those given in Corson, John J., "Characteristics of Employees Under Old-Age Insurance in 1938," *Social Security Bulletin* (December 1940), Vol. 3, No. 12, pp. 3-10, 70-76, which presents summary data on workers and their taxable wages in 1937 and 1938. (See also *Handbook of Old-Age and Survivors Insurance Statistics, 1938*, pp. XIX-XX.)

monthly benefits payable to the worker and to his family are based on the average monthly wage and the duration of covered employment, the large number of workers who appear to be without steady employment but are employed intermittently in covered occupations are at a disadvantage.

The size and composition of the labor force fluctuate with changing economic conditions. Technological changes, improvement or decline in industrial activity, and the constant variation in the number and composition of business units exercise an important influence over the number and characteristics of workers receiving taxable wages. In addition to the considerable number of workers who are more or less steadily employed, the labor force includes many groups of individuals—among others, housewives, young workers, and older persons—who for various reasons enter employment only at certain times, and frequently only for short periods. Moreover, every year a sizable group of new workers, especially young boys and girls, enters employment for the first time, either to replace older workers who die, retire, or leave their jobs, or to meet industry's expanding labor requirements. Some of the effects of changing business conditions upon the composition of the labor force are revealed by employment and wage data reported to the Social Security Board for 1937 and 1938. Although the extent of the "in-and-out" movement cannot be fully seen from data covering only the first two years of operation of the pro-

gram, and without an analysis of shifts taking place within particular years, as well as between successive years, the information available indicates some of the important aspects of the problems raised by shifts in employment.

Differences in Characteristics of Workers Employed in Both Years and in One Year Only

There are characteristic differences between the workers who received taxable wages in both 1937 and 1938 and those for whom reports were made for only one of these years. Those differences are reflected in the age patterns, sex composition, and the amount of average taxable wages reported for the three groups.

Workers who received taxable wages in both years were on the whole older than either of the other two groups. About 22 percent of them were 45 years of age or more, as shown in table 1. Fifty-four percent were in the ages 25-44, and less than one-fourth were under 25 years. The higher proportion of older workers in the group employed in both 1937 and 1938 may be due to the fact that these workers were probably on the whole more skilled and experienced individuals and were employed in the more stable industries.

The 5.6 million workers who received some taxable wages in 1937 but not in 1938 were a heterogeneous group. The composition of this group can be better visualized if we analyze the possible reasons why these millions of workers earned taxable wages in 1937 but none in the next year. Some of these workers may have died during 1937.

Table 1.—Old-age and survivors insurance: Number and percentage distribution of workers with taxable wages in both 1937 and 1938 and their total and average annual taxable wages in these years, by age and sex¹

[Corrected to Aug. 15, 1940]

Age group (years)	Number of workers	Taxable wages in—			Percentage distribution of workers	Average taxable wage in—		
		Both 1937 and 1938	1937	1938		Both 1937 and 1938	1937	1938
Total, all ages.....	26,002,455	\$53,041,252,170	\$27,058,503,388	\$25,382,058,788	100.0	\$983	\$1,025	\$940
Under 25.....	6,357,707	6,580,484,404	3,341,022,034	3,248,401,830	23.6	518	520	511
25-44.....	14,582,709	31,554,123,985	16,462,231,251	15,091,892,734	54.0	1,082	1,129	1,035
45 and over.....	6,051,970	14,897,043,727	7,855,330,503	7,042,304,224	22.4	1,231	1,208	1,164
Male, all ages.....	10,707,700	44,280,003,000	23,177,469,170	21,108,534,820	100.0	1,118	1,171	1,066
Under 25.....	3,060,578	4,477,391,807	2,201,540,585	2,185,845,282	20.0	565	570	552
25-44.....	10,788,331	20,333,795,909	13,768,310,053	12,565,485,316	54.5	1,220	1,276	1,165
45 and over.....	5,048,800	13,474,816,160	7,117,611,938	6,357,204,222	25.5	1,334	1,410	1,259
Female, all ages.....	7,194,686	8,755,248,180	4,481,124,212	4,274,123,968	100.0	908	923	894
Under 25.....	2,307,189	2,112,092,597	1,040,470,049	1,062,610,548	33.3	441	438	443
25-44.....	3,791,378	5,220,328,016	2,693,920,598	2,520,407,418	52.7	988	710	900
45 and over.....	1,003,119	1,422,827,567	737,727,565	685,100,002	14.0	700	735	683

¹ Data for 51 States. Excludes workers whose age and/or sex and race are unknown and those holding railroad retirement account numbers; total number of workers with taxable wages in both 1937 and 1938 was approxi-

mately 27.2 million. For taxable wages for these years, by 5-year age groups, see *Social Security Yearbook, 1939*, p. 59, table 11.

Others may have retired in the course of the year because they had sufficient savings, annuities, or insurance to retire voluntarily. Some may have been forced to retire because of ill health or disability. Still others may have been forced out of employment because of age. Another group may consist of women who quit their jobs because of marriage or maternity in the course of 1937. Others may have left covered employment and shifted into occupations excluded under the old-age and survivors insurance program. For instance, some workers may have opened small business establishments or may have entered farm employment or domestic service in private homes.

A large proportion of the 5.6 million workers who did not receive taxable wages in 1938, however, probably represented workers who lost their jobs and were not reemployed during the course of 1938. A certain number of persons are forced out of employment during each year because of technological displacement and mortality of firms and industries. Many of them remain unemployed for considerable periods of time, perhaps exceeding a year. The general decline in business conditions during 1938, as a result of which 1.6 million fewer persons than in 1937 were reported in covered employment, is responsible for the displacement of another large group of workers.² No attempt is made here to estimate the numbers involved in these various groups because, in most instances, the necessary data are lacking.

The group reported only in 1937 differs in age, sex composition, and average earnings from that employed in both years. Thirty-four percent were less than 25 years old, as compared with 24 percent of those who worked in both 1937 and 1938 (table 2). About 46 percent were between 25 and 44 years of age, and only 20 percent were aged 45 or more. This group also had a larger proportion of women than the group employed during both years—35 percent in contrast to 27 percent.

The average annual taxable wages of the workers reported in 1937 but not in 1938 were less than one-third of the average of those reported in both years—only \$296, as compared with \$983. For men the average was \$332 as compared with \$1,118, and for women, \$228 as compared with \$608.

¹ The decline in the total number of persons employed at some time in 1938 as compared with the number in 1937 may have been much greater than that indicated by the figures for covered employment because of the exclusions from old-age and survivors insurance.

Table 2.—Old-age and survivors insurance: Number and percentage distribution of workers with taxable wages in 1937 only, and their total and average annual taxable wages, by age and sex ¹

[Corrected to Sept. 15, 1940]

Age group (years) ²	Number of workers	Taxable wages	Percentage distribution of workers	Average taxable wage
Total, all ages.....	5,101,440	\$1,507,597,993	100.0	\$296
Under 25.....	1,740,540	317,910,693	31.1	183
25-44.....	2,319,308	708,441,031	45.5	305
45 and over ³	1,041,592	481,246,269	20.4	462
Male, all ages.....	3,290,835	1,096,018,266	100.0	332
Under 25.....	1,010,258	190,839,705	30.9	187
25-44.....	1,452,070	478,288,102	41.0	329
45 and over ³	828,507	426,890,459	25.1	515
Female, all ages.....	1,801,605	411,579,727	100.0	228
Under 25.....	721,282	127,070,988	40.0	176
25-44.....	867,232	230,152,929	48.2	265
45 and over ³	213,091	54,355,810	11.8	255

¹ Data for 51 States. Excludes workers whose age and/or sex and race are unknown and those holding railroad retirement account numbers; total number of workers with taxable wages in 1937 but not in 1938 was approximately 5.6 million.

² Workers who received taxable wages in 1937 but not in 1938 were not tabulated by age. Age distribution of this group was derived by deducting from the 5-year age groups of approximately 32.8 million workers with taxable wages in 1937, corresponding age groups of the 27.2 million workers with taxable wages in both years. Remainders in each age group constituted age distribution of workers employed in 1937 only. However, since workers employed in both years were distributed into age groups on the basis of their age in 1938, it was necessary to adjust the ages of all workers who worked in 1937 by advancing them one year, to make the ages of the two groups comparable. As a result, workers who worked in 1937 only are also distributed on the basis of their age in 1938; i. e., workers shown here in the 15-19 year group for 1937 were actually aged 14-18 in that year. The procedure necessarily introduces a certain degree of error, which is reduced to a minimum by regrouping the ages into 3 intervals only.

³ Includes some workers aged 65 or more whose wages, not taxable in 1937, were reported inadvertently.

Low average annual wages of workers employed only in 1937 may be due chiefly to the fact that many of them worked only a part of the year. They may have died, retired, shifted to non-covered employment, or become unemployed early in the year or in the middle of the year, or may have entered covered employment in the middle or toward the end of 1937. Therefore, the average wage may represent only short periods of employment during 1937. Additional, although perhaps less important, reasons may be found in the large proportion of young workers and women, and the undoubtedly greater proportion of intermittent workers, in the group employed only in 1937.

The 4 million individuals for whom taxable wages were first reported in 1938 differ in many important characteristics from both the 27.2 million persons who were reported for both years and the 5.6 million workers reported for 1937 only. They were, to a large extent, younger workers, many of whom may never have worked before. Forty-nine percent of them were under 25 years of age (table 3). In addition, there was

a sizable group of older workers—37 percent between 25 and 44, and 14 percent 45 years of age or more. Some of these workers may have been in noncovered employment or unemployed in 1937 and shifted to covered employment or become reemployed during 1938. The larger proportion of women among those employed only in 1938 than among workers who received taxable wages in both years—38 percent as compared with 27 percent—reflects primarily a difference between a group composed to a large extent of new entrants to industry and a group with a large proportion of regularly employed workers. Fifty-four percent of the women employed only in 1938 were less than 25 years of age, as compared with 33 percent at this age level among those women employed in both years. The former group includes many young women who will remain in industry only for a short period of time, until they leave their jobs because of marriage or maternity. There were considerable numbers of older women as well among those who received taxable wages in 1938 for the first time. About 38 percent were 25 to 44 years of age and 9 percent 45 years or more. These persons may have been out of the labor market in 1937 but entered or reentered employment in 1938 for various reasons, such as divorce, widowhood, or unemployment of husbands.

Average annual taxable wages of workers for whom taxable wages were reported for the first

Table 3.—Old-age and survivors insurance: Number and percentage distribution of workers with taxable wages in 1938 only, and their total and average annual taxable wages, by age and sex¹

(Corrected to Aug. 15, 1940)

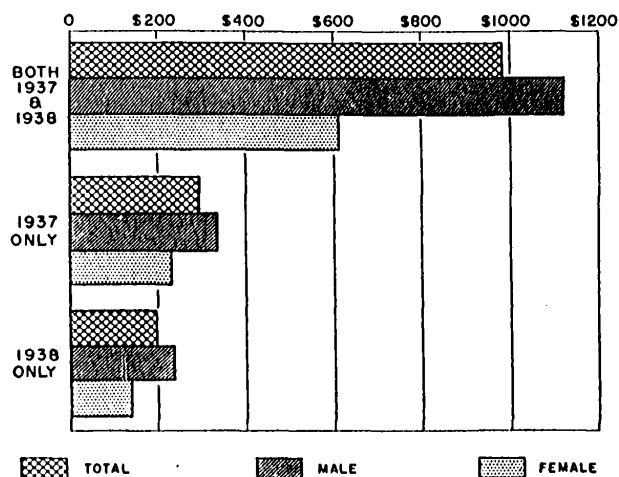
Age group (years)	Number of workers	Taxable wages	Percentage distribution of workers	Average taxable wage
Total, all ages.....	3,934,935	\$774,103,859	100.0	\$197
Under 25.....	1,938,873	244,170,358	49.2	120
25-44.....	1,460,160	370,018,105	37.1	253
45 and over ²	535,912	159,915,396	13.7	298
Male, all ages.....	2,440,859	572,935,814	100.0	234
Under 25.....	1,139,232	153,699,034	46.5	135
25-44.....	902,914	282,814,684	36.9	313
45 and over ²	407,713	136,422,096	16.0	335
Female, all ages.....	1,494,076	201,168,045	100.0	135
Under 25.....	799,641	90,471,324	53.9	113
25-44.....	557,236	87,203,421	37.6	156
45 and over ²	128,199	23,493,300	8.0	183

¹ Data for 51 States. Excludes workers whose age and/or sex and race are unknown and those holding railroad retirement account numbers; total number of workers with taxable wages in 1938 but not in 1937 was approximately 4.0 million.

² Includes some workers aged 65 or more whose wages, not taxable in 1938, were reported inadvertently.

time in 1938 were very low—\$197 for the group as a whole, \$234 for men, and \$135 for women. Here again these low earnings may be attributable especially to entrance by workers into covered em-

Chart 2.—Old-age and survivors insurance: Average annual taxable wages of workers employed in both 1937 and 1938, in 1937 only, and in 1938 only, by sex



ployment for the first time in the middle of, or toward the end of, 1938, or to part-year employment. The large number of young workers and women in this group is also responsible for lowering the average. Probably many of the workers who were employed in 1938 only were persons whose regular occupations may be in excluded employment, but who may have worked short periods of time and earned small amounts in covered employment.

The significant difference between the average wages of the group employed in both years and those employed only in 1937 or 1938—\$983 as against \$296 and \$197, respectively—is striking enough to indicate some tentative conclusions regarding comparative regularity of employment. In spite of the important shifts into and out of covered employment which take place within each year, it is clear that the group reported both in 1937 and in 1938 comprises individuals who were more steadily employed within both years than individuals reported only in one of the two years. Of course, higher wage rates may have been partly responsible for the vastly higher average of the group employed in both years, and without doubt there were many cases in which individuals who were reported in covered employment in both years

earned most or all of their wages in a few months in each year. However, it is logical to assume, on the basis of these average wage figures, that this group consists by and large of more regularly employed workers. Conversely, as indicated above, the low average wages of the groups employed in only one year is probably attributable largely to the fact that considerable numbers of them received taxable wages for employment during only a part of the year.

Insured Status and Continuity of Employment

In interpreting wage and employment data for the first two years of the program from the viewpoint of workers' insured status, it must be kept in mind that some workers with taxable wages only in one year, 1937 or 1938, may have had relatively more regular employment, and hence more quarters of coverage in one year, than others who may have worked irregularly and received small amounts of taxable wages in both years. However, the fact that workers employed only in 1937 or only in 1938 lacked covered employment for at least one year, and the small amount of average annual taxable wages they received, point to certain difficulties which may arise in connection with their insured status.

In order to qualify for benefits as a fully insured individual, a worker must have at least half as many quarters of coverage as the number of elapsed quarters. A quarter of coverage is defined as a calendar quarter in which the individual has been paid not less than \$50 in "wages." Elapsed quarters include all calendar quarters in the working lifetime of an individual after 1936 excepting the quarters prior to and including the one in which he attained age 21, and excepting the one in which he died or in which he attained the age of 65, and subsequent quarters. Although the individual must have at least 6 quarters of coverage and, in general, half as many quarters of coverage as the number of elapsed quarters, he is fully insured at any time if he has 40 quarters of coverage. While a worker must be fully insured in order to qualify for benefits for himself and his dependents when he reaches 65, his survivors are entitled to benefits if he dies while he has currently or fully insured status. A currently insured individual is one who has 6 or more quarters of

coverage out of the 12 immediately preceding the quarter in which he dies.

To have attained insured status by January 1, 1940, when the old-age and survivors monthly benefit provisions went into effect, it was necessary for workers to have at least 6 quarters of coverage. Workers who received taxable wages in 1937 but not in 1938, or in 1938 but not in 1937, lost the opportunity of obtaining credit for at least 4 quarters of coverage. Obviously they would have to receive \$50 or more in at least 6 of the remaining 8 quarters before benefit payments could begin. In the case of individuals who are not near retirement age and who did not have insured status in 1940 because of late entrance into covered employment or because of intermittent work, the problem is not especially serious. They can achieve insured status and eligibility for old-age benefits if they obtain fairly regular employment in future years. However, if they should die before achieving fully or currently insured status, their survivors would not be eligible for benefits.

Workers who are nearing the age of 65, however, are in a more disadvantageous position than others if they do not have the necessary number of quarters of coverage. Deaths are more frequent at that age level, and old-age protection is a more immediate problem. Moreover, workers over 60 may have difficulty in obtaining regular employment if they do not already have steady jobs.

It is estimated that there were about 135,000 workers in the ages 60-64 among those employed in 1937 only, and about 57,000 among those employed in 1938 only. Their annual average taxable wages are estimated at \$388 and \$218, respectively. Obviously, many of these workers received amounts considerably below these averages. It is logical to assume that a large proportion of individuals who earned very low average wages did not have a sufficient number of quarters of coverage for insured status by January 1, 1940. Because the amount of the benefit is arrived at by a formula based on an individual's average wages in covered employment, many workers, although they may meet the requirements for quarters of coverage and become eligible for benefits, will nevertheless receive only the minimum benefit of \$10 a month because of their low earnings.