

support in using the skills already available. This support will come only with the recognition of community responsibility.

CONCLUSION

The contribution the social security programs make to the Nation has required increasing expenditures over the years. Even if nothing more were done than to carry forward present services, future expenditures would have to rise to meet the needs of an increasing population, particularly among children and older people. To meet new challenges will cost more. The need for these expenditures must be evaluated in relation

both to available resources and other community obligations. In this evaluation, however, the following two considerations should influence the decisions made. While the numbers needing community services and the types of services required are increasing, so also are the average productivity of the American worker and the number in the labor force. Beyond this, the long-run, if not the immediate, price of neglecting human needs usually is considerably higher than the cost of meeting them as they occur.

If the Nation accepts and meets the challenges the future presents, the next 25 years will see progress in social security comparable to the progress of the past 25 years in basic economic security.

Social Security Status of the American People

by **IDA C. MERRIAM***

THE SOCIAL SECURITY Act of 1935 established or provided for Federal financial participation in programs in seven major areas. Other articles in this issue describe what has happened during the intervening 25 years in the national old-age—now old-age, survivors, and disability—insurance program, in the Federal-State unemployment insurance programs, and in the federally aided public assistance and maternal and child health and child welfare programs. The provisions for Federal grants to the States for public health activities, which laid the basis for modern public health programs in the United States, were subsequently removed from the Social Security Act and incorporated in the basic Public Health Act of 1944. The original Social Security Act also increased substantially the amounts authorized for grants to the States for vocational rehabilitation programs under a 1920 act and placed them on a permanent basis.

The concept of social security that was re-

flected in the original Social Security Act and that has helped shape the programs that we have today was broader than any specific measures. Essentially it was an idea and a goal. It accepted as a legitimate concern of the Federal Government the economic security and the social welfare of all the American people. At the same time, it recognized and asserted that these ends could best be achieved through a diversity of programs and methods. The individual (both as consumer and as citizen), private groups and agencies, and local, State, and Federal Governments all had a part to play. This article attempts to sketch briefly the part each has played in this first 25 years and to assess the overall social security status of the American people at the beginning of the 1960's.

THE ECONOMIC AND SOCIAL CLIMATE

The past 25 years have seen more rapid and far-reaching social and economic change than any other quarter century in our history. From an

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economic depression that left more than one-fifth of the total labor force without work, the country moved to the tremendous expansion of the economy during a worldwide war and the continuing pressures of an uneasy peace. The rate of scientific and technological progress has been so rapid in the past 10 or 15 years that the problem of communication and understanding threatens to overwhelm scientist and citizen alike, and communities across the land are struggling to keep up with, let alone keep ahead of, growth, movement and change. During this quarter of a century:

Total population has grown from 127½ million in 1935 to about 180 million in 1960, with an increasing proportion composed of persons in the usually nonproductive ages—the young (under age 18) and the old (aged 65 and over) (table 1). The change in age composition reflects both the rise in birth rates since World War II, in contrast to depression lows, and the steady increase in life expectancy.

The labor force has increased by about one-third, proportionately more than the population in the usually productive ages, as women have moved into employment in large numbers. At the same time the proportion of the civilian labor force unemployed dropped from 21.7 per-

TABLE 1.—*Estimates of the total population, by age, and of persons aged 14 and over, by labor-force status, selected years, 1934-60*

[In thousands; continental United States]

Age and labor-force status	Population, January 1—					
	1935	1940	1945	1950	1955	1960 ¹
Total ²	127,512	132,445	140,068	151,355	164,759	180,048
Under age 18 ³	42,386	41,367	42,207	47,295	55,579	65,134
Under age 5 ³	10,950	11,333	13,602	16,801	18,902	20,851
Aged 18-64.....	77,433	82,180	87,541	91,956	95,296	99,324
Aged 65 and over.....	7,693	8,898	10,320	12,104	13,884	15,590
	Labor force ⁴ (monthly average)					
	1934	1939	1944	1949	1954	1959
Civilian labor force.....	52,230	55,230	54,630	62,105	64,468	69,394
Employed in agriculture.....	9,900	9,610	8,950	8,017	6,495	5,836
Employed in nonagricultural industries.....	30,990	36,140	45,010	50,406	54,395	59,745
Unemployed.....	11,340	9,480	670	3,682	3,578	3,813
Armed Forces.....	260	370	11,410	1,616	3,350	2,552
Not in labor force ³	41,590	44,610	38,590	46,052	48,401	51,420
Unemployment rate ⁴	21.7	17.2	1.2	5.9	5.6	5.5

¹ Includes Alaska and Hawaii.

² Adjusted for net underenumeration and misreporting of age of children under age 5.

³ Noninstitutional population aged 14 and over. The Bureau of the Census definition of employment and unemployment shown for 1949 and later years is not strictly comparable with that for earlier years; the combined total of the groups changing classification has averaged about 200,000-300,000 a month in recent years.

⁴ Percent of civilian labor force unemployed.

Source: Bureau of the Census for population data and the Council of Economic Advisers, *Economic Report of the President, January 1960* (table D-17), for labor-force data.

cent in 1934 to 5.5 percent in 1959. Farmers and other agricultural workers dropped from 22 percent to 9 percent of total civilian employment (table 1).

The gross value of goods and services produced in 1959 (\$480 billion) was more than seven times the 1934 figure (\$65 billion), or more than twice as much per person even after taking account of the rise in prices.

With increased productivity, real income per worker climbed also: Average weekly earnings in manufacturing, for example, in 1959 were five times what they had been 25 years before, while consumer prices were but 2½ times as high.

More and more American families have acquired a personal share in the Nation's wealth: 6 out of 7 families now own some life insurance, 3 out of 5 nonfarm families own the house they live in, and 3 out of 4 farmers own their farm in whole or in part.

INCOME SECURITY

Rising levels of living, together with the increased mobility of the population, have given new importance to programs and arrangements that assure a continuing flow of money income to individuals and families during periods when earned income is interrupted or inadequate. The income-maintenance programs that are basic to social security have filled in a large part of the area where they are needed, although some gaps still remain.

Expenditures under public income-maintenance programs exceeded \$26 billion in the fiscal year 1959-60, or 7.6 percent of total disposable personal income. More significant than the sevenfold increase in dollars since 1934-35 is the shift from public assistance (or other public aid for needy persons) to social insurance as the mainstay of support (table 2 and chart 1).

There has also been, during this period and particularly since 1945, a rapid growth in private employee-benefit plans providing retirement pensions, life insurance, and unemployment benefits supplementing the public programs as well as health insurance and temporary disability insurance. In 1959-60, private employee-benefit plans paid out \$3.4 billion in retirement and other income-maintenance benefits and between \$3.5 and \$4.0 billion for health insurance. The more than \$11 billion in contributions to employee-benefit plans in 1959-60 represented 4 percent of total wages and salaries.

The degree of income security that Americans now have can be measured in relation to the extent of program coverage, the income loss

compensated, and the resulting level of income support provided.

Broader Protection

Almost all Americans today have one or more sources of public, mutual, or private insurance protection against the risks of old age, death of a breadwinner, and long-term disability. The large majority also have protection against loss of income from unemployment and from work-related injury and disability. A significant proportion are insured against income loss from temporary illness and disablement.

These gains are exemplified by the sharp rise since 1939 in the proportion of civilian workers who have protection under retirement and unemployment insurance programs, as shown in chart 2.

Unemployment.—At the end of 1959, four-fifths of all civilian wage and salary workers were covered by unemployment insurance, under State programs and programs for railroad workers or

Federal employees, compared with about two-thirds at the end of 1939. (Self-employed persons—a declining number—are not covered in either period.) Some of those brought under unemployment insurance since 1939 are Federal Government employees, both civilian and military, and workers in firms with four to seven employees, first covered by amendment to the Federal act in 1954. Others are employees in smaller firms in the 24 States that now have more liberal coverage provisions than the Federal act requires. Still excluded from the Federal act are agricultural workers, domestic servants, and employees of nonprofit institutions, as well as employees of private firms with fewer than four employees.

Supplemental unemployment insurance benefit plans were negotiated under collective-bargaining agreements in the automobile industry in 1955 and soon thereafter in the steel, rubber, and other industries, to ensure more adequate payments for unemployed workers than those provided by the public system. It is estimated that almost 2 million workers are now covered by such plans.

TABLE 2.—Public income-maintenance program expenditures and individuals receiving payments, selected fiscal years and end of calendar years, 1934 to 1960

Program	Annual (fiscal year) expenditures ¹ (in millions)						
	1934-35	1939-40	1944-45	1949-50	1954-55	1958-59	1959-60 (projection)
Total expenditures.....	\$3,706.7	\$5,172.2	\$3,027.2	\$9,148.8	\$15,204.8	\$25,074.4	\$26,147.0
Social insurance and related programs.....	709.1	1,574.1	1,997.5	6,660.0	12,265.2	21,185.7	22,108.0
Old-age, survivors, and disability insurance.....	28.1	266.8	266.8	784.1	4,436.3	9,615.9	11,100.0
Railroad retirement.....	115.7	143.7	143.7	304.4	575.6	777.6	984.0
Public employee retirement.....	210.0	254.5	382.8	743.2	1,388.5	2,297.8	2,588.0
Unemployment insurance and employment service.....	570.6	166.1	2,201.4	2,272.6	3,918.1	2,746.0	3,351.0
Veterans' pensions and compensation.....	390.2	447.8	755.9	2,092.8	2,712.3	3,325.6	3,351.0
Workmen's compensation: net of medical.....	108.9	157.4	277.1	433.2	627.5	840.0	935.0
Temporary disability insurance: net of medical ²			5.1	100.9	252.4	410.7	454.0
Public aid.....	2,997.6	3,598.1	1,029.7	2,488.8	2,939.6	3,888.7	4,039.0
Public assistance, special types.....	102.4	629.8	923.4	2,125.6	2,609.7	3,399.8	3,534.0
General assistance.....	521.6	493.9	104.6	363.3	329.9	488.9	505.0
Work programs (including FERA).....	2,373.6	2,474.4	1.7				
	Individuals receiving payments, ³ December (in thousands)						
	1934	1939	1944	1949	1954	1958	1959
Social insurance and related programs:							
Old-age, survivors, and disability insurance.....			955	2,743	6,887	12,430	13,704
Railroad retirement.....		139	168	370	580	722	769
Public employee retirement.....	197	269	342	689	899	1,286	1,387
Unemployment insurance and employment service.....		695	94	2,121	1,586	1,898	1,714
Veterans' pensions and compensation.....	914	925	1,329	3,314	3,759	4,092	4,194
Public aid:							
Public assistance, special types.....	519	2,739	2,774	4,350	5,065	5,740	5,807
General assistance.....	(4)	4,675	260	662	351	434	399
Work programs (including FERA).....	1,122	3,344					

¹ Payments to individuals and administrative expenditures. Administrative expenditures under State workmen's compensation laws not included for years before 1950.

² Programs in Rhode Island, California, New Jersey, and New York and or railroad workers. Includes payments under private plans written in

compliance with State laws.

³ Data not available on number of beneficiaries under workmen's compensation and temporary disability insurance.

⁴ Not available.

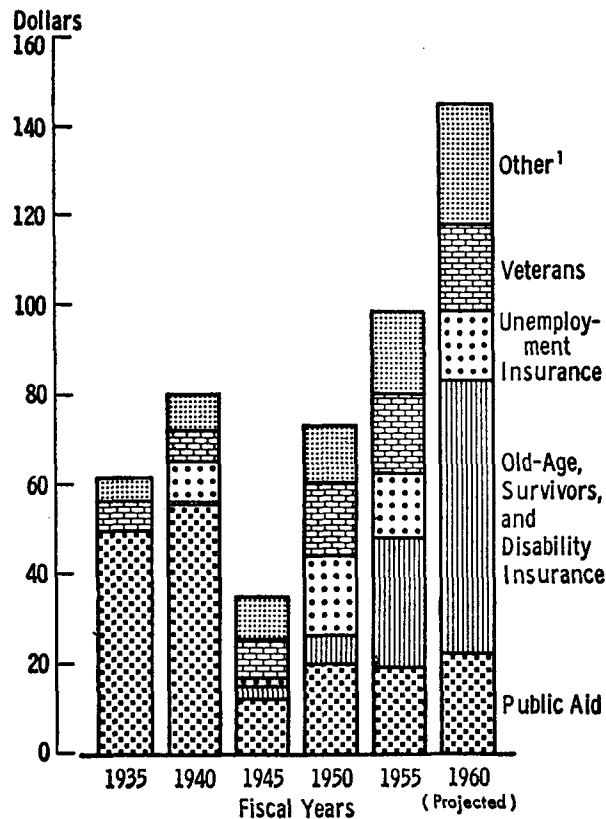
Retirement or death of earner.—In 1939, the old-age and survivors insurance program covered only employees in industry and commerce, and barely half of all government employees were under staff retirement systems. In consequence, 38 percent of all persons who worked in paid employment were without protection against loss of earnings in retirement. Now only 7 percent of all those in paid civilian employment are without such protection. This growth reflects largely the extension of the basic Federal program to the self-employed, to farm workers, domestics, and certain other employees in the series of amendments passed since 1950. All persons in military service now have regular coverage under old-age, survivors, and disability insurance and railroad workers now have some protection under this program as well as their own. Of the 5 million workers still without protection, by far the majority lack it because they do not earn enough from self-employment, farm work, or domestic work for coverage. Some are doctors of medicine not yet covered under the law or employees of nonprofit institutions who have voluntarily not elected coverage.

The past quarter of a century has seen a remarkable growth also in the number of workers covered by private pension and deferred profit-sharing plans—from about 2½ million in late 1935 and less than 4 million in 1939 to more than 19 million today. Many workers' families also have protection, in case of the breadwinner's death, under private group plans that supplement the survivorship protection of the public programs. Some 40 million wage and salary workers in public as well as private employment are now covered by group life insurance or death benefit plans.

Disability.—Public programs providing a source of income to individuals with prolonged disabilities have expanded rapidly, especially since the end of World War II. In 1934, protection through public provisions was confined to workmen's compensation laws, programs for veterans, the Armed Forces, and civilian government employees and in about half the States to special assistance programs for the blind.

Except for the railroad retirement program and the provisions in the original Social Security Act for Federal grants for aid to the blind, no

CHART 1.—Income-maintenance programs: Expenditures per capita (in 1959 dollars), 1935–60



¹ Railroad and public employee retirement programs, workmen's compensation, and temporary disability insurance.

special public income-maintenance programs for the long-term disabled were enacted during the next 15 years.

The decade of the 1950's saw two new income-maintenance programs for the long-term disabled added to the Social Security Act. The first, in 1950, was a program of Federal grants to the States for aid to the permanently and totally disabled.

The second program, enacted in 1956, provided for the payment of benefits under the Federal old-age, survivors, and disability insurance program to severely disabled workers aged 50–64 and also to adult disabled children (if disabled before age 18) of deceased and retired workers. In 1958 the act was further amended to provide benefits for dependents of disabled workers similar to those already provided for dependents of workers retired because of age.

Private provisions against the risk of extended disability have also expanded in recent years, es-

pecially in connection with private pension plans under collective bargaining. About three-fourths of the 19 million employees covered by private pension plans at the beginning of 1959 are estimated to have through the plans some protection in case of total and permanent disability before normal retirement age. In 1934 such provisions probably covered less than 1 million wage earners.

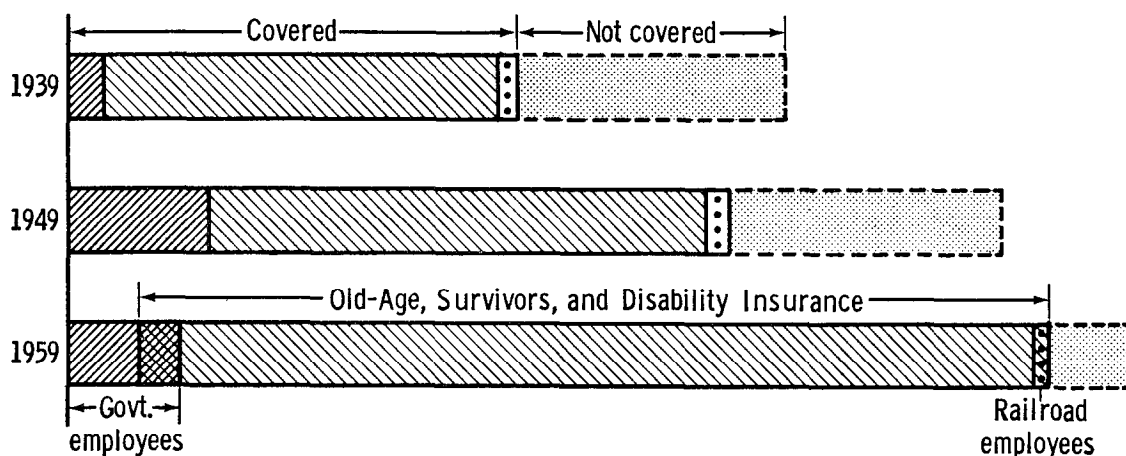
Provisions for a substitute income for workers in case of short-term illness have been developed

through a combination of public and private programs. During the 1940's, legislation providing temporary disability insurance benefits was enacted in four States and for workers in the railroad industry. Similar protection for workers in other States has been extended through the growth of voluntary disability insurance and other types of employee-benefit plans sponsored by employers or established through collective-bargaining agreements.

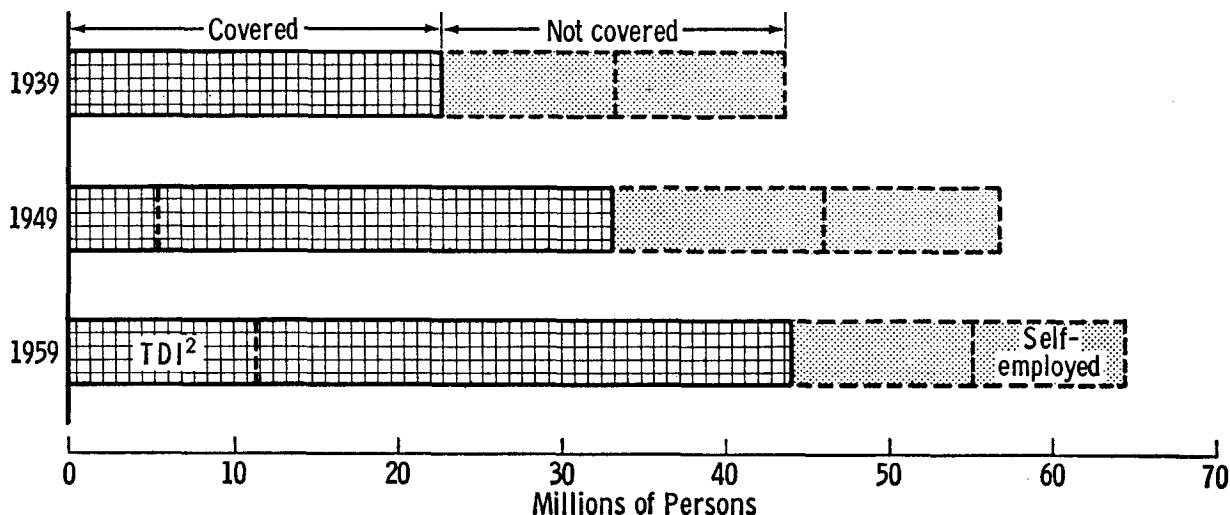
In 1959 it is estimated that about three-fifths

CHART 2.—Estimated coverage under social insurance programs, 1939, 1949, and 1959¹

Nearly all who work (employed and self-employed) are now covered by PUBLIC RETIREMENT PROGRAMS



4 out of 5 employees (but not self-employed) are now covered by UNEMPLOYMENT INSURANCE



¹ Monthly averages for 1939 and 1949; December data for 1959.

² Temporary disability insurance; all those covered by this program are also covered by unemployment insurance.

of the Nation's private wage and salary labor force had some protection against loss of earnings caused by short-term disability through these various public and private arrangements. In 1934, the proportion covered was estimated to be less than one-fifth.

More Receive Income Maintenance

The aged.—The start of the 1960's found three-fourths of the Nation's 15.7 million aged—almost 12 million persons—drawing benefits under at least one social insurance or related program. The old-age, survivors, and disability insurance system alone provided income for more than 10 million, or 64 percent, of those aged 65 and over. Another 1 million aged workers—of whom some 300,000 were married men with aged wives—were fully insured under the program and could receive benefits as soon as they retired.

The compensation and pension programs for veterans and their survivors were next in importance, with an estimated 9 percent (counting wives of veterans on the rolls) receiving payments. Programs for government employees and railroad workers together provided support for about 1.5 million aged persons. It is estimated that more than half of those receiving a payment because of the disability or death of a veteran were also receiving a benefit because of the retirement or death of a worker in industry or government employment.

More than 6 percent of the persons receiving social insurance benefits were also on the public assistance rolls because their benefits plus any other resources did not meet their needs, according to the standards set by their State of residence.

About 1.7 million persons aged 65 and over, or 11 percent of the Nation's aged population, were still primarily dependent on public assistance in December 1959. In addition, an estimated 1.1 million, or 7 percent, had no money income from employment or any public income-maintenance program. Predominantly women who had been widowed before their husbands were covered under old-age, survivors, and disability insurance, they included some very wealthy individuals, but many more were dependent on and lived with children or other relatives, and some were being maintained in public institutions.

In all, almost 7 in 8 of the 15.7 million aged persons in our population at the end of 1959 had income from social insurance and related programs and/or public assistance. This is in startling contrast to the situation at the end of 1934 when little more than 10 percent of all persons aged 65 and over had income from such sources and about half, it is estimated, were mainly or wholly dependent on relatives or friends for their support.

The number of persons receiving pensions under private benefit plans has also expanded at an impressive rate. At the end of 1959, there were probably about 1½ million beneficiaries in all, of whom more than 1¼ million were aged 65 and over. In the mid-1930's, there were no more than 150,000 or 200,000 private pensioners, many of whom were under plans operated by the railroads and later transferred to the rolls of the federally operated retirement program for railroad employees.

The lowering of the eligibility age for women from 65 to 62 years under old-age, survivors, and disability insurance effective in November 1956 represented a further gain in economic security for aged persons, not reflected in the figures summarized above. By the end of 1959 a total of more than 850,000, or nearly two-fifths of the women in this age group, were drawing benefits, and at least a half million were estimated to be eligible on retirement. (As provided under the 1956 amendments to the Social Security Act, the retired workers and wives in this group received benefits that were actuarially reduced for each month before attainment of age 65.) Other women approaching age 65 are eligible for payments under programs for railroad or government employees, and considerable numbers receive pensions or compensation as wives or mothers of deceased veterans.

The disabled.—On an average day in 1959, about 9 million persons of all ages were disabled—unable to work, attend school, keep house, or follow their other customary or usual activities because of an illness or injury. More than 5 million of these persons had been limited for more than 6 months in their ability to carry on their major activity because of a chronic illness or impairment—the “long-term disabled.” Many millions of others with chronic conditions were par

tially limited in the amount or kind of activity that they could pursue.

Of the persons with long-term disabilities, an estimated 3.1 million were between the ages of 14 and 65 in December 1959. About 1.3 million, or 42 percent, of them were receiving cash benefits or payments from social insurance or veterans' programs. A quarter of a century ago only some 230,000 persons or a little more than 10 percent of the Nation's long-term disabled aged 14-64 were receiving cash payments from public programs.

Programs under the Social Security Act are now providing the major share of income maintenance for the long-term disabled under age 65. In December 1959 there were 415,000 disability beneficiaries under the old-age, survivors, and disability insurance program and 400,000 recipients of assistance under the Federal-State aid to the blind and aid to the permanently and totally disabled programs. The veterans' programs were next in importance, paying pensions or compensation to 330,000 veterans under age 65 with ratings of 70-percent disability or more. The remaining programs—workmen's compensation, government employees' retirement systems, and the railroad retirement system—accounted for about 290,000 recipients.

Until the payment of disability benefits under the old-age, survivors, and disability insurance program in 1957, the veterans' compensation and pension programs were responsible for the largest group of disability beneficiaries. As late as 1949 the veterans' programs accounted for more than half the persons with long-term disabilities receiving support from public income-maintenance programs—a proportion that dropped to about 40 percent in the years immediately following the passage of the public assistance program of aid to the permanently and totally disabled.

The child.—The economic well-being of children is contingent on the ability of their parents to provide for them. Programs that provide for wage replacement not only when the breadwinner is no longer in the home but also in case of his unemployment, disability, or retirement are therefore of importance for children. The extent to which these programs make explicit provision for dependents has a considerable impact.

Although the traditional role of the father as

sole supporter for the family has given way somewhat as married women have moved into the labor force in growing numbers, our public income-maintenance programs recognize his contribution more fully than the mother's. To be sure, 7 out of every 8 children in the United States have their home with two parents, according to Bureau of the Census data for March 1959, and a small number of others live with the father only. Almost 1 in 11, however, have only their mother. There are less than 3 percent in all that share a home with other relatives, are in foster care, lodge with nonrelatives, or live alone.

More than 90 percent of all married men, perhaps 95 percent of those (under age 60) most likely to have children, are in the labor force. Some of them, however, are unemployed from time to time, and others are unable to work. More than half of the women who are widowed, divorced, or separated and have children in their care are in the labor force, but many of them only intermittently because they are marginal workers or because of home demands.

The unemployment insurance programs provide dependents' allowances in only 12 States, which account for about one-fourth of all workers covered by State unemployment insurance programs. Data for new beneficiaries in July-September 1959 indicate that about one-third were entitled to allowances for a total of about 230,000 dependent children.

Under the social insurance provisions of the original Social Security Act, children had no protection. But the first amendments, in 1939, provided for benefit payments to dependents of those retiring and to surviving children of deceased workers, and the 1958 amendments extended this protection to the children of disabled workers. By the end of 1959, the number of children under age 18 on the rolls had mounted to 1¾ million, including about 200,000 children of aged retired workers, almost 80,000 children of disabled workers, more than 1.4 million children whose fathers had died, and 64,000 whose mothers had died. In 1950 the Social Security Act was amended to provide for payment of benefits to children of a working mother who died, even if the father was in the home and providing support.

The Railroad Retirement Act makes similar provision for children, but the numbers involved

are small, with only 38,000 children under age 18 on their benefit rolls at the end of 1959. Programs for government employees characteristically provide no allowance for children of workers who retire, whether for age or disability, and the estimated number of children drawing survivor benefits is not a great deal larger than under the railroad programs because single women are relatively numerous among government employees.

Children of veterans, on the other hand, benefit in substantial numbers under the compensation and pension programs. Close to 300,000 were drawing payments as survivors of deceased veterans and more than 425,000 because their fathers were 50 percent or more disabled and therefore entitled to extra compensation for children up to three in number. The Veterans' Pension Act of 1959 provides that effective July 1, 1960, additional monthly amounts are payable for dependents of veterans receiving pensions and sets up a sliding scale of benefits related to financial need and resources both for veterans and for their survivors.

In all there were about 2½ million children who received direct benefits under social insurance or veterans' programs late in 1959. Another 3⅓ million children in families receiving veterans' payments or unemployment insurance may have had some of their needs met by payments to a parent, but they did not receive any direct payments. The assistance programs provided aid for about 2¾ million children—2¼ million under the Federal-State program of aid to dependent children and the other half million under the State-local general assistance program.

Of the 2.1 million fatherless children, about three-fourths were receiving income from one or more such sources at the end of 1959. Old-age, survivors, and disability insurance alone provided some support for close to two-thirds of them. This is in sharp contrast to the situation before passage of the Social Security Act, when there were about 280,000 children in families receiving aid to needy children under State-local laws. Although most of these children were orphans, they made up only a small fraction of the 2.8 million fatherless children in the population at that time.

The program of aid to dependent children was designed to provide aid for children in need not

only because of the father's death but also in case of his incapacity or his absence from the home. Today the program, with nearly 2.3 million children and almost 700,000 adults responsible for their care on the rolls, is heavily weighted with the socially orphaned. Children in need because of risks that have been considered uninsurable—divorce, separation, desertion, and illegitimacy—accounted for about 56 percent of those on the rolls in late 1958, according to a special survey. Just over one-fourth were on the rolls because of the father's incapacity. Only 1 in 10 were needy because of the father's death, and about two-fifths of these children were social insurance beneficiaries, but their benefits did not meet their needs under State standards of assistance.

TRENDS IN LEVELS OF INCOME SUPPORT

Real per capita income—that is, our total output of goods and services averaged over the entire population—has more than doubled in the 25 years since the Social Security Act was passed. The general level of income support under the social security programs has also increased though not as much as the gains for the population as a whole.

Changes in Social Insurance Payments

It has been accepted from the beginning that the social insurance programs should provide a floor of protection only, leaving room for additional protection through private employee-benefit plans and private savings. Ideas as to what constitutes a floor, however, like ideas as to what is the minimum socially acceptable family budget, tend to change over time as well as to vary among different groups.

The unemployment insurance programs were originally designed to pay benefits amounting to about half of what the worker had been earning. Under the 1939 amendments, old-age and survivors insurance benefits for a retired worker were to range from 40 percent for the lowest-paid workers to 16 percent for the highest-paid workers at the outset and from 60 percent to 24 percent eventually. The 1950 amendments eliminated an increment for years of service and pro-

vided retirement benefits of from 50 percent to about 27 percent of the worker's previous earnings.

Rising wage levels have meant higher average benefits under both social insurance programs. Furthermore, Congress has acted to revise from time to time the benefits of persons on the old-age, survivors, and disability insurance rolls, in order to adjust for rising prices and to reflect to some extent rising levels of living. Similar changes have been made under the railroad retirement program and many of the programs for public employees.

At the end of 1959, a worker who had retired in December 1940 with a monthly old-age, survivors, and disability insurance benefit of \$22.60 and was still on the rolls was receiving \$55.00 a month, an increase of 17 percent in real income after allowing for the decreased purchasing power of the dollar. The average monthly check to all retired workers on the rolls in December 1959 was \$72.78, or the equivalent of one and one-half times what the average 1940 check would buy at present prices. A worker newly retiring received even more; new awards in December 1959 averaged \$82.26.

There have also been slippages, however. Because the maximum dollar amounts in most of the State unemployment insurance laws have not been increased to the same extent as earnings levels have risen, a large proportion of the workers drawing benefits today get only about one-third instead of the intended one-half of their on-the-job income. Six States now express

the maximum weekly benefit not in dollars but as a percentage of average covered earnings, thus providing for automatic adjustment to changing wage levels. Very few of the State laws, however, reflect the concept of adequacy implied in the supplemental unemployment benefit plans negotiated in a few of the mass-production industries, which envisage benefits equal to 65 percent of previous earnings.

In old-age, survivors, and disability insurance, the limit on the amount of earnings that are taxable and creditable towards benefits has likewise limited the replacement of earned income in the case of higher-paid workers. In 1959, more than half of all full-time male workers and 25 percent of all persons in covered employment had earnings above the \$4,800 that could be counted in determining the amount of their benefits. While many of these higher-paid workers are among the groups most likely to have supplemental protection under private pension plans, by no means all have this resource.

For those workers whose benefits are based on low earnings, the problem is that few have much cash income other than their relatively modest benefits. Homeownership is also less common for those with the lower benefits. The 1957 survey of old-age and survivors insurance beneficiaries showed that one-sixth of all retired couples had no current cash income (or less than \$75 per person for the year) in addition to their benefit. More than one-third of the aged widows relied on their benefits as practically their sole source of cash income. Less than half these widows

TABLE 3.—Average payments under old-age, survivors, and disability insurance, unemployment insurance, and public assistance, in December, selected years, 1940-59

Program	Current dollars					1959 dollars ¹				
	1940	1949	1950	1954	1959	1940	1949	1950	1954	1959
Old-age, survivors, and disability insurance:										
Average <i>monthly</i> benefit in current-payment status:										
Retired worker.....	\$22.60	\$26.00	\$43.86	\$59.14	\$72.78	\$47.10	\$32.30	\$51.50	\$64.90	\$72.78
Aged widow.....	20.28	20.82	36.54	46.27	56.72	42.25	25.85	42.90	50.80	56.72
Widowed mother and 2 children.....	47.10	50.40	93.90	130.50	* 166.50	98.15	62.60	110.20	143.25	* 186.50
History of <i>monthly</i> old-age benefit of worker retiring in 1940.....	22.60	22.60	41.40	51.60	55.00	47.10	28.10	48.60	56.65	55.00
Unemployment insurance (State programs):										
Average <i>weekly</i> benefit for total unemployment....	10.88	21.31	20.78	25.22	31.91	22.67	26.47	24.39	27.68	31.91
Public assistance:										
Average <i>monthly</i> payment per recipient:										
Old-age assistance.....	20.26	44.76	43.95	51.90	65.86	42.21	55.60	51.58	56.97	65.86
Aid to dependent children.....	9.85	21.70	21.13	23.96	29.02	20.52	26.96	24.80	26.30	29.02
Aid to the blind.....	24.38	46.11	46.56	56.37	71.29	52.88	57.28	54.65	61.88	71.29
Aid to the permanently and totally disabled.....	.....	.....	45.41	54.93	64.64	.....	.....	53.30	60.30	64.64
General assistance (per case).....	24.28	50.47	46.65	57.29	69.45	50.58	62.70	54.75	62.89	69.45

¹ Calculated by dividing current-dollar amounts by the consumer price index (December 1959=100).

* June 1959.

owned their homes, while about 70 percent of all the couples had this resource.

Level of Public Assistance Payments

The level of payments under the public assistance provisions of the Social Security Act has also risen over the past 25 years. Indeed, during the period from 1940 to 1950, when no changes were made in old-age, survivors, and disability insurance, public assistance payments proved much more responsive to increases in the cost of living. Rising levels of living for the population as a whole and increased tax-paying ability have also been reflected in the standards of need applied in most States.

At the end of 1959, recipients of old-age assistance were receiving in monthly payments more than \$3.00 for every \$2.00 (in terms of 1959 prices) paid in 1940 and recipients of aid to dependent children about \$2.75 for every \$2.00.

Unmet need.—In spite of these improvements there is evidence of substantial continuing unmet need for assistance. Many of the States provide less than the amount needed according to their own standards. Measured against a uniform but minimal standard, such as twice the cost of a low-cost food budget, the extent by which existing assistance payments fall below need as so determined is disturbing. A conservative estimate for old-age assistance and aid to dependent children alone suggests that present expenditures may be inadequate by as much as a billion dollars annually, simply for those persons who already receive assistance.

The overall growth of the economy in the past 25 years has resulted in a decrease in inequalities of wealth and income among the several States. Nevertheless there remain great variations. In some regions—particularly the predominantly rural areas of the Southeast—economic development has failed to keep pace with expansion in the general economy. Major sections of the populations in the States of this region have low incomes. As a graphic illustration, the average per capita income in some of these States is less than the average amounts of public assistance paid to some categories of the needy in the States making the highest assistance payments. In other areas,

where automation has developed most rapidly or where industries have moved out, the training and skills of substantial numbers of workers are outmoded and not in current demand in their home areas. Unemployment of long duration characterizes so-called “depressed areas,” far beyond the resources of local communities to counteract.

Even with proportionately larger Federal sharing in the costs of assistance, the States where need is concentrated may be hard pressed or unable to meet generally accepted standards of adequacy in their assistance programs.

Size of Low-Income Group

A recent study of low-income groups in the population suggests that in the past 25 years there has been a significant decline in the number of persons with very marginal incomes. From one-third of the Nation in 1935, the disadvantaged group has fallen to about one-fifth of the population. This figure results from using as a measure of low income less than \$2,500 a year in 1957 dollars for a family of four (about \$600 per capita) and comparable amounts for other family sizes. Other reasonable standards would suggest even larger numbers with inadequate incomes. Almost inevitably a considerable number of the one-person families, particularly aged widows and young persons just starting out on their own, tend to fall in the low-income group. Many of the families with a large number of children also are living on very low incomes. It is estimated that no more than half and perhaps only a third of the children with uncomfortably low incomes are in families receiving any form of income maintenance under a public program.

It is also significant that while a large proportion of today's low-income population are in the labor force but have limited earning capacity—Negroes and others who meet discrimination in employment, rural families, families headed by a woman or someone with little education—a large proportion also are aged, widowed, disabled, and dependent primarily on one or more of the social security programs for their support. Those programs will inevitably play an increasing role in determining the level of living of large numbers of the American people.

HEALTH SERVICES AND SOCIAL SECURITY

Before the passage of the Social Security Act, the Federal Government had assumed responsibility for health services for a few selected groups, primarily merchant seamen and veterans. From 1921 to 1929, the Federal Government had also provided grants to the States to encourage the development of maternal and child health services.

The Committee on Economic Security gave considerable attention to the need for more adequate public health programs, including a system of health insurance. It was not able to reach agreement on specific health insurance proposals in time for inclusion in its report. It did recommend, and the Social Security Act of 1935 included, Federal grants in aid to the States for general public health activities, for maternal and child health services, and for special health services for crippled children.

The general health grants laid the basis for the development of modern public health programs in the United States. Now a part of the Public Health Service Act, they set a pattern for subsequent grants for hospital construction, for tuberculosis and venereal disease control, and for cancer, heart, mental illness, and other health programs.

Health Services for Children

The maternal and child health and crippled children's programs remain under the Social Security Act. They, too, have expanded and developed over the years. That development can be measured in total dollars expended, from \$2.5 million in 1935-36 to more than \$140 million in 1959-60. It can be measured indirectly in the decline in maternal and infant mortality. And it can be assessed in terms of the broadening scope of the crippled children's program, from its early emphasis on orthopedic conditions to its present attempt to prevent or ameliorate any disabling condition.

Federal funds have always represented a relatively small proportion of the total amounts spent for the maternal and child health and crippled children's programs. In 1959-60, Federal grants for maternal and child health were \$17.5 million

and for crippled children's services \$16.0 million. The grants have served to stimulate and to encourage experimentation and high standards of quality of care. Among the newer developments is the attention now being given to the problems of mental retardation, partly as a result of the earmarking of funds for this purpose in appropriations for 1958.

Rising costs of medical care generally and the development of complicated and costly new techniques have limited the number of children who could be cared for even with increasing dollar expenditures. One of the more dramatic examples of pressure on limited funds was the swelling demand for open-heart surgery to save the lives of children who a few years ago could not have been helped. Such operations cost thousands of dollars, far beyond the ability of most families to pay. In 1959, when amounts initially appropriated ran out, Congress appropriated an additional \$1 million to assure that the few medical centers able to perform such operations could continue to give the service.

During the past few years the infant mortality rate, which had dropped from 55.7 per 1,000 births in 1935 to 26.0 per 1,000 in 1956, began to level off. There are a number of different causes, all of them pointing to the need for more health education and better prenatal and obstetrical care. There remain, also, greater differences in the mortality rates in different areas and among different population groups than can be accepted without concern.

During World War II, the Children's Bureau was responsible for the administration of a program of emergency maternity and infant care for the wives and children of servicemen in the lowest four grades. This program undoubtedly contributed greatly to the health of the women and children involved as well as to the morale of their husbands. Altogether some 1¼ million mothers received maternity care and 230,000 infants some medical services under this program. Emergency maternity and infant care (EMIC) was in some respects a forerunner for the present Medicare program administered by the Department of Defense, which covers most of the cost of maternity care and of hospitalization and limited outpatient services in civilian facilities for the wives and children of members of the Armed Forces.

Other Public Expenditures for Health Services

In 1950, the Social Security Act was amended to permit Federal matching of direct payments by public assistance agencies to hospitals, doctors, and other vendors of medical care. Since that time, the total amount of vendor payments for recipients of public assistance has increased until it amounted to \$465 million in 1959-60 and represented 11.5 percent of total expenditures for assistance. Provisions for medical care vary greatly among the States. There are eight or nine States that provide very comprehensive medical services for assistance recipients. Others provide for limited services only.

Most care in mental and tuberculosis hospitals is provided in public hospitals, operated by the States or localities. Many of the States and localities also support general hospitals where care is provided free or at charges related to the individual's income.

About 20 percent of all expenditures for personal health care in the United States is now financed from public funds. About 18 percent is covered through private health insurance. Except for relatively small amounts financed from philanthropic contributions and the cost of industrial health services paid for by employers, the remaining expenditures take the form of direct payments to the providers of service by persons receiving care (or their families or other persons in their behalf).

The issue of national health insurance was extensively debated in Congress during the years from 1946 through 1950, but no action was taken. In the meantime there occurred a rapid growth in voluntary health insurance, first under the Blue Cross plans organized by hospital associations, later through Blue Shield associations organized in most instances by State medical societies and through insurance companies. About 70 percent of the population now has insurance covering some or all of the costs of hospitalization, about 64 percent is covered by surgical insurance, and 44 percent by insurance for some other medical expenses.

Voluntary insurance has been only moderately successful, however, in covering those with low incomes, including aged persons; farm families, especially in the South; migratory workers; and

those in domestic service. Recognition of the special problem of the low-income aged in meeting the costs of medical care has led to active current consideration of several alternative types of governmental programs to help finance these costs.

WELFARE SERVICES

The original Social Security Act also recognized the need for welfare services as an essential part of a balanced social security program. The act provided Federal financial support for child welfare services and for vocational rehabilitation services. Both types of activity had been under way in States and local communities, stimulated by the same social forces and social reform movement that resulted in the adoption of mothers' pension laws and workmen's compensation laws in many States in the years just before World War I. Limited Federal grants for vocational rehabilitation had been available under a 1920 act. The Federal grants in aid under the Social Security Act placed both programs on a firm base. Both have developed and expanded significantly in the intervening years.

Vocational Rehabilitation

The authorization for Federal grants for vocational rehabilitation was removed from the Social Security Act and transferred to the Vocational Rehabilitation Act at about the same time the public health titles were given separate status. With the addition of disability benefits under the old-age, survivors, and disability insurance program, there has developed a close working relationship between the income-maintenance and the service programs. The availability of the insurance benefits helps locate cases needing rehabilitation services and provides a means of support for the individual and his family until he can get back into gainful employment. Disability benefits can be paid, regardless of the amount of the individual's earnings, for a full year after placement in gainful employment as a result of an approved rehabilitation program. In the long run, expenditures on rehabilitation services mean savings to the insurance program, as well as a new life for the in-

dividuals concerned. In spite of the very large expansion in the amounts spent by the Federal and State governments for vocational rehabilitation—from \$2.2 million in 1934-35 to \$103.0 million in 1959-60—the need for such services is still far beyond what can be met with existing personnel and facilities.

Child Welfare Services

The child welfare services program has also taken on increasing importance during the years since 1935. With the rapid increase in our child population and the stresses and strains of crisis years, more children have stood in need of protective services. Children abandoned and neglected or in danger of neglect, children who have run afoul of the law, restless and disoriented adolescents—all need special help with their problems if they are to grow up to lead useful and satisfying lives.

The Federal grants for child welfare services have been used to stimulate and underwrite a wide variety of services—adoption services, placement in foster families, social services for children in their own homes, special protective and custodial services, services for juvenile delinquents or potential delinquents. In 1958, a restriction on the use of Federal funds that had required that they be spent primarily in rural areas was removed. In the early years of the program, it had been argued that private agencies already well established in the cities could do the job that needed to be done there. With the continuing movement of population to the cities and the intensification of social problems there, it had become clear that a broader acceptance of social responsibility and the use of public funds was necessary in urban areas.

Somewhat more than \$200 million was spent for child welfare services in 1959-60, with \$12 million coming from Federal and \$188 million from State and local funds. In 1934-35, total expenditures, all from State and local funds, had been \$26 million. There still remain, however, many counties that are completely without the services of a trained child welfare worker. And in city after city there are hundreds of children crowded into unsuitable institutions or with no one to whom to turn in trouble because of limitations in existing child welfare services.

Welfare Services in Public Assistance

The public assistance programs have always provided some services to needy families beyond the primary service of giving them the means to live. As the social insurance programs have taken over more and more of the income-maintenance function, an increasing proportion of those on the public assistance rolls have been persons with multiple problems and disadvantages. If they, or their children, are to break out of the cycle of poverty, dependency, ill health, inadequate or antisocial functioning, and continued poverty, they need special help and special services. Increasingly, in some areas, public assistance agencies have been providing such services. While all such rehabilitation services may pay for themselves in the long run, they are expensive. Lack of funds and scarcity of trained personnel prevent any large immediate expansion in such services. This is also an area in which much more knowledge is needed as to cause and effect and how to prevent dependency as well as deal with its consequences.

Additional Community Services

Experience with the social security programs has brought to light the need for additional kinds of community services. In administering the old-age, survivors, and disability insurance program—particularly as the average age of those on the benefit rolls has advanced—there has been a growing awareness of the need for guardianship arrangements and special types of institutional care for a few and of the need for health services, homemaker services, and other social services to enable the many to remain independent as long as possible. Experience with both public assistance and child welfare services has highlighted the growing need for day care centers for children of working mothers and for homemaker services to help hold young families together when the mother is ill or temporarily away from home. Many communities are attempting to develop these and other services. Just what the organizational relationships or basis for financing such services should be is not yet clear. However they are developed, they will remain an important aspect of the social security status of the American people.

Federal Credit Unions

The services provided through the Social Security Administration, though not under the Social Security Act as such, were enlarged with the transfer of the Bureau of Federal Credit Unions to the Federal Security Agency in 1948. Credit unions or credit cooperatives through which individuals can pool small savings and obtain credit from one another at reasonable rates have been among the earliest social security measures to be adopted in many underdeveloped countries. They are a valuable adjunct to social insurance and other social security programs in a country with a highly developed economy. They spread to individuals in all income groups the opportunity and means for individual savings that we accept as one part of our social security picture.

The credit union movement in the United States started in Massachusetts in 1909. Federal chartering of credit unions was authorized in 1934. Since 1935, total membership in federally chartered credit unions has grown from 119,000 to 5,643,000 and their total assets from \$2.4 million to \$2.4 billion in December 1959. Since 1958, the Bureau of Federal Credit Unions has been supported entirely from fees for chartering and supervising local credit unions.

SOCIAL SECURITY AND THE NATIONAL ECONOMY

During the 25 years since the passage of the Social Security Act, both the population and the productive capacity of the United States have in-

creased far beyond the most far-ranging predictions of that day. The social insurance programs have developed to the place where they now account for almost 4 percent of our total national output of goods and services. In contrast, the resources used for public assistance have dropped sharply from the depression period of the 1930's. Public expenditures for health and for other welfare programs have increased at about the same rate as the overall growth in national output.

The social security programs have increasingly contributed not only to individual welfare but also to the stability of the entire society. Social insurance provides both a steady flow of income to important groups of consumers and an automatic stabilizing force that helps counteract swings in the economy. A large part of the strength of our free society flows from the mutual concern and support that are manifested in social welfare programs.

The gaps and inadequacies that we can now see in these programs should become easier to remedy if our productive capacity continues to expand at the rate that our present level of scientific achievement makes possible. To achieve and maintain for all the people a social security status commensurate with our national wealth and potentialities will still not be a simple task. In the future as in the past, imagination, inventiveness, willingness to experiment with new types of relationships among public and private organizations and among levels of government, and above all a clear awareness of the need for choice and decisions as to social priorities will be necessary if we are to continue to move towards this goal.