

Notes and Brief Reports

A Quarter-Century of Monthly Benefits Under OASDI*

The end of 1964 rounded out the first 25 years of monthly benefits paid under the program now known as old-age, survivors, and disability insurance (OASDI). By that time, almost 20 million persons were receiving monthly benefits and expenditures were being made at a monthly rate of more than \$1.3 billion (or an annual rate of \$15.9 billion).

The growth of the OASDI program—which is the basic method in the United States for providing income to the worker and his family when he becomes disabled, retires, or dies—has dwarfed that of all other social insurance and related income-maintenance programs (table 1).¹

Monthly retirement and survivor benefits were first payable under the OASDI program for January 1940, and monthly benefits based on extended disability were first paid during 1957. From 1937 when the program began to the end of 1939, the only payments made under the program were lump-sum payments to workers not eligible to receive monthly benefits at age 65 and to survivors of deceased workers, based on the workers' wages in covered employment after December 31, 1936. These payments were relatively insignificant, aggregating \$13.9 million in 1939, or less than 1 percent of all social insurance and related payments in that year.

The Social Security Act of 1935, which established the Federal old-age retirement program, also provided for a Federal-State unemployment insurance program. Weekly payments under this program began as early as 1936. A separate unemployment insurance program for railroad employees was enacted in 1938, and weekly payments began in July 1939. Unemployment insurance payments accounted for the largest share of income-maintenance payments under social

insurance and related programs in 1939—\$436 million or 29 percent of the total.

Before the passage of the Social Security Act, the major income-maintenance programs in existence were workmen's compensation, public employee retirement systems, and the veterans' pensions and compensation program. All but two States had workmen's compensation programs by 1939, when they accounted for 16 percent of all payments under social insurance and related programs. The Federal Government had in operation a retirement and disability program for civilian employees, established in 1920. (This program was amended in 1948 to include monthly survivor benefits; only joint-and-survivor annuity options had been available before that date.) The Federal Government also administered a retirement program for military personnel, dating back many decades, and a few other small separate retirement programs for groups whose employment was of a special nature. Many State and local government retirement programs also

TABLE 1.—Benefit payments¹ under social insurance and related programs, selected years, 1939–64

Program	1939	1949	1954	1959	1964 ²
Amount of benefits (in millions)					
Total.....	\$1,490	\$6,792	\$11,490	\$21,372	\$30,507
Old-age, survivors, and disability insurance.....	14	667	3,670	10,298	16,223
Railroad retirement.....	109	292	538	856	1,109
Federal civil-service retirement ³	63	171	338	741	1,270
Other Federal retirement ^{3,4}	68	270	433	708	1,375
State and local government retirement ⁵	142	284	532	975	1,610
Unemployment insurance ⁵	436	1,841	2,184	2,843	2,749
Temporary disability insurance ⁶	89	254	393	515
Workmen's compensation ⁷	235	566	876	1,210	1,660
Veterans' pensions and compensation.....	423	2,612	2,674	3,348	3,996
Percentage distribution					
Total.....	100	100	100	100	100
Old-age, survivors, and disability insurance.....	1	10	32	48	53
Railroad retirement.....	7	4	5	4	4
Federal civil-service retirement.....	4	3	3	3	4
Other Federal retirement.....	5	4	4	3	5
State and local government retirement.....	10	4	5	5	5
Unemployment insurance.....	29	27	19	13	9
Temporary disability insurance.....	1	2	2	2
Workmen's compensation.....	16	8	8	6	5
Veterans' pensions and compensation.....	28	38	23	16	13

¹ Includes lump-sum death payments.

² Preliminary data for some programs.

³ Excludes refunds of employee contributions to those leaving the service. State and local government retirement data excludes Alaska and Hawaii before 1959.

⁴ Includes payments to retired military personnel and their survivors.

⁵ Includes programs for railroad workers, for Federal employees, for servicemen, and for veterans under the Servicemen's Readjustment Act of 1944 and the Veterans' Readjustment Assistance Act of 1952, as well as payments under the temporary extended unemployment insurance programs.

⁶ Cash and medical benefits, including payments under private plans, where applicable in the 4 States with programs. Includes cash sickness benefits for railroad workers.

⁷ Cash and medical benefits paid under Federal workmen's compensation laws and under State laws by private insurance carriers, by State funds, and by self-insurers. Excludes data for Alaska and Hawaii before 1959.

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¹ See *Social Security Programs in the United States* (Social Security Administration, 1964), for detailed background data on all programs under the Social Security Act, including public assistance (omitted from the discussion in this article), and on related programs.

trace their origin to the nineteenth century. In 1939, all public employee retirement systems together accounted for 19 percent of total payments under social insurance and related programs.

The veterans' pensions and compensation program, which since World War I has provided a full range of benefits for disabled veterans and their dependents and survivors, accounted in 1939 for 28 percent of total payments, almost as much as unemployment insurance.

The 1930's brought about the establishment of one other major social insurance program. The Railroad Retirement Act of 1935, as amended in 1937, provided immediate monthly benefits for retired and disabled railroad workers, as the Federal system also took over the payment of annuities to persons on the private pension rolls of the railroads. Annuities to widows of annuitants under select conditions such as joint-and-survivor options and lump-sum death payments were also paid, but it was not until 1946 that a full-scale program of survivor benefits, covering dependents of active workers as well as of retired workers, was incorporated in the law. In 1939, payments under the program accounted for 7 percent of all payments under social insurance and related programs.

The latest social insurance program to be initiated was temporary disability insurance. During the 1940's four States adopted legislation providing weekly cash sickness benefits to workers temporarily disabled because of non-occupational illness or injury. In 1946, the Rail-

road Unemployment Insurance Act was also amended to provide cash sickness benefits for railroad workers.

GROWTH OF OASDI

As of January 1940, when monthly benefits under the program were first payable, there were 3,700 persons with benefits in current-payment status. By the end of 1944 the program was paying monthly benefits to 955,000 persons and by the end of 1949 to 2.7 million. These benefits, however, still made up only 10 percent of all payments under social insurance and related programs in 1949, as the veterans' and unemployment insurance programs continued to dominate the scene.

Beginning in 1950, a series of amendments resulted in liberalizing the OASDI benefit formula and insured-status requirements; increasing benefit payments for those on the rolls, as well as for those coming on the rolls; raising the maximum amount of creditable (and taxable) earnings; expanding coverage (notably for the self-employed); extending benefits to additional dependents of retired and deceased workers and to disabled workers and their dependents; and lowering the age at which a worker and his dependents or survivors may qualify for benefits.

By the end of 1954, the number of persons on the OASDI rolls had increased to 6.9 million—two and one-half times the number of beneficiaries only 5 years earlier. Dollar expenditures

TABLE 2.—Number of beneficiaries under selected social insurance and related programs, at end of selected years, 1939–64¹

[In thousands]

Year	Retirement, disability, and survivor insurance								Temporary disability benefits, Railroad Unemployment Insurance Act	Unemployment insurance	
	Monthly retirement and disability benefits				Monthly survivor benefits					State laws	Railroad Unemployment Insurance Act
	Social Security Act	Railroad Retirement Act	Civil Service Commission	Veterans Administration	Social Security Act	Railroad Retirement Act	Civil Service Commission	Veterans Administration			
1939.....		136.0	60.2	606.4		2.8		263.4		668.9	37.3
1944.....	504.0	163.5	83.9	955.7	450.8	4.3	0.2	372.7		92.8	1.2
1949.....	1,708.5	241.6	151.1	2,343.0	1,034.3	128.4	12.8	970.7	36.0	1,954.5	166.6
1954.....	4,897.5	403.2	216.5	2,631.0	1,988.9	182.7	64.8	1,127.6	36.2	1,452.2	133.6
1959.....	10,392.2	522.8	349.9	2,972.1	3,311.7	245.9	142.5	1,221.7	36.1	1,630.3	83.4
1960.....	11,286.7	553.3	379.4	3,064.4	3,557.9	256.1	154.5	1,392.7	34.3	2,164.8	101.9
1961.....	12,682.4	567.4	407.7	3,137.1	3,812.4	261.8	167.4	1,647.4	31.3	1,993.2	75.4
1962.....	13,950.0	585.2	438.4	3,176.7	4,103.4	270.3	182.0	1,653.2	29.6	1,585.2	59.4
1963.....	14,714.7	594.3	465.1	3,194.8	4,320.8	277.9	196.5	1,749.9	31.3	1,608.8	49.5
1964.....	15,260.6	600.0	493.8	3,204.4	4,538.9	285.8	214.4	1,848.4	29.4	1,351.2	41.3

¹ For explanatory footnotes see table 1, page 21.

had increased by almost six times, as the OASDI program now accounted for the largest single share of payments (32 percent) under social insurance and related programs, with the veterans' program next (23 percent) and the unemployment insurance program third (19 percent).

The growth of OASDI maintained its accelerated pace during the next 5 years. By the end of 1959, the number of monthly beneficiaries under OASDI—13.7 million—was almost double that in 1954. Dollar expenditures continued to increase at a faster rate than the number of beneficiaries and amounted to \$10.3 billion in 1959 or more than two and one-half times the 1954 total. The proportion of total payments disbursed by OASDI increased by one and one-half times—to 48 percent in 1959.

Since then the OASDI program has continued to grow and by the end of 1964 accounted for more than half of all payments under social insurance and related programs. There were 19.8 million persons receiving monthly benefits under the program—almost four times the number receiving benefits under any other program.

Table 2 shows the growth in the number of beneficiaries under those Federal and Federal-State social insurance and related programs for

which data are readily available. Clearly outlined is the impact of legislative changes in the programs—the improvements in OASDI in the 1950's and early 1960's, the addition of full-scale monthly survivor benefits under the railroad retirement and civil-service retirement systems in the 1940's, and the introduction of temporary disability benefits for railroad workers.

Trends resulting from other factors are also revealed in the table. The jump in the veterans' disability and survivor rolls in the immediate postwar period can be directly traced to the demobilization of the Armed Forces and to the aging of the World War I veteran population. Since 1949, the growth in disability beneficiaries under the veterans' program has been moderate, though there has been a step-up in the number of monthly survivor benefits being paid.

For the railroad and civil-service retirement systems, employment trends have been a major long-term factor influencing the beneficiary rolls. During the past decade the contraction of railroad employment was accompanied by a slackening in the rate of increase in the number of railroad beneficiaries. Federal employment, on the other hand, has been slowly rising and the civil-service beneficiary rolls have increased at a fairly steady rate. For both programs the monthly

TABLE 3.—Number and amount of monthly benefits in current-payment status under the OASDI program at end of selected years, 1940-64, by type of benefit ¹

(In thousands)

Year	Total			Old-age	Disability	Wife's or husband's			Child's			Widow's or widower's	Mother's	Parent's
	Total	OASI	DI			Total	OASI	DI	Total	OASI	DI			
Number of benefits														
1940.....	222	222	-----	112	-----	30	30	-----	55	55	-----	4	20	1
1944.....	955	955	-----	378	-----	116	116	-----	298	298	-----	68	90	5
1949.....	2,743	2,743	-----	1,286	-----	391	391	-----	639	639	-----	261	152	13
1954.....	6,886	6,886	-----	3,775	-----	1,016	1,016	-----	1,161	1,161	-----	638	272	25
1959.....	13,704	13,244	460	7,526	334	2,208	2,160	48	1,832	1,754	78	1,394	376	35
1960.....	14,845	14,157	687	8,061	455	2,346	2,269	77	2,000	1,845	155	1,544	401	36
1961.....	16,495	15,468	1,027	8,925	618	2,510	2,392	118	2,279	1,989	291	1,697	428	37
1962.....	18,053	16,778	1,275	9,739	741	2,679	2,531	147	2,547	2,160	387	1,859	452	37
1963.....	19,035	17,583	1,452	10,263	827	2,749	2,581	168	2,687	2,230	457	2,011	462	37
1964.....	19,800	18,236	1,563	10,669	894	2,783	2,604	179	2,787	2,298	490	2,159	471	36
Monthly amount														
1940.....	\$4,070	\$4,070	-----	\$2,539	-----	\$361	\$361	-----	\$668	\$668	-----	\$90	\$402	\$11
1944.....	17,344	17,344	-----	8,980	-----	1,460	1,460	-----	3,681	3,691	-----	1,367	1,781	64
1949.....	56,074	56,074	-----	33,437	-----	5,376	5,376	-----	8,427	8,427	-----	5,442	3,207	1,185
1954.....	339,342	339,342	-----	223,272	-----	32,271	32,271	-----	40,996	40,996	-----	29,526	12,089	1,189
1959.....	845,144	811,237	\$33,907	547,749	\$26,765	84,254	82,527	\$1,727	80,716	78,301	\$2,414	79,047	21,579	2,034
1960.....	936,321	888,320	48,000	596,849	40,668	90,503	87,867	2,636	93,275	88,578	4,697	89,054	23,795	2,178
1961.....	1,071,693	1,003,937	67,756	675,154	55,374	98,276	94,366	3,910	104,818	96,347	8,472	110,179	25,425	2,466
1962.....	1,181,725	1,099,227	82,498	741,961	66,673	105,072	100,305	4,767	116,166	105,108	11,058	122,476	26,838	2,541
1963.....	1,259,912	1,166,587	93,325	789,064	74,922	108,481	103,059	5,422	123,052	110,071	12,981	134,403	27,438	2,552
1964.....	1,326,445	1,224,240	101,205	827,548	81,473	110,549	104,768	5,781	128,898	114,947	13,951	146,476	27,954	2,547

¹ For explanatory footnotes, see table 5, page 37.

survivor rolls from 1954 to 1964 expanded at a faster pace than the retirement and disability rolls.

For the unemployment insurance system, the number of beneficiaries is a direct reflection of current economic conditions. During wartime full employment, less than 100,000 persons drew benefits in December 1944. Five years later, during the 1949 recession, 2.1 million unemployed workers were registered for benefits—a number that fluctuated in the subsequent years as the economy underwent cyclical changes.

COMPOSITION OF OASDI ROLLS

Despite the extension of benefits to dependents, survivors, and disabled workers, the greatest share of the total amount paid under the OASDI program continues to go to aged retired workers. They received almost two-thirds of the amount paid in December 1964 (table 3). Except for the war years and the period immediately thereafter, when older workers deferred retirement because of labor shortages, most monthly benefit checks have gone to retired workers.

The ratio of retired workers to all OASDI beneficiaries was about 51 percent at the end of 1940. It dropped to a low of 40 percent in 1944 and then rose to 55 percent during the 1950's, when coverage was expanded and the requirements for old-age benefits liberalized.

At the end of 1964, the 10.7 million retired

workers receiving benefits represented 54 percent of the 19.8 million beneficiaries. Of the other 9.1 million beneficiaries, 3.0 million were dependents of aged workers, 4.5 million were the survivors of deceased workers, 900,000 were disabled workers, and 700,000 were dependents of disabled workers.

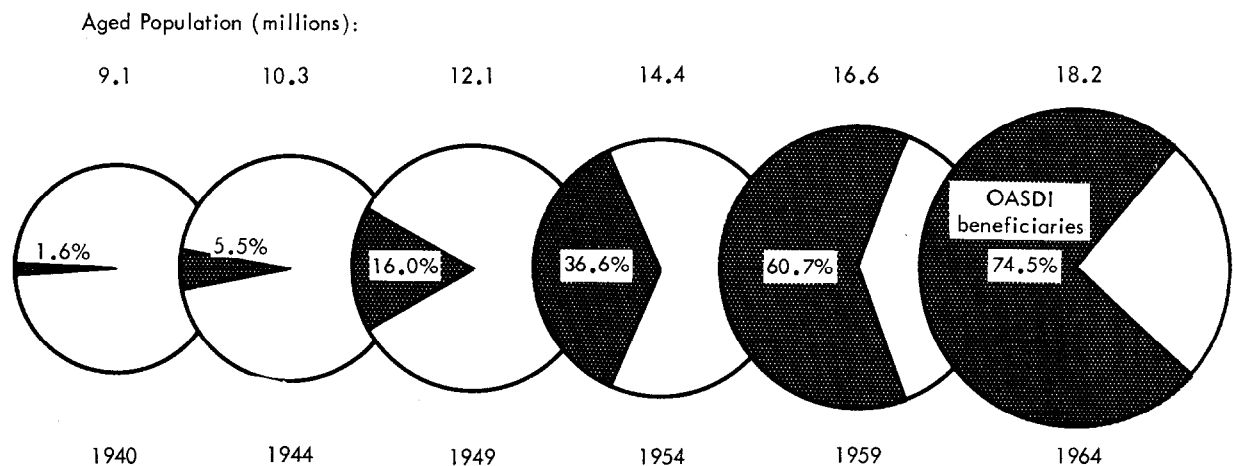
Another measure of the significance of the social security program for older persons is the growth in the proportion of those aged 65 and over who are receiving monthly benefits (chart 1).

The proportion of the aged population receiving OASDI benefits rose from less than 2 percent at the end of the first year (1940) to 16 percent by the end of the first decade (1949) and to 75 percent by the end of the first quarter-century. These proportions include aged dependents and survivors, as well as retired workers. They do not, of course, include additional aged workers and their dependents—an estimated 8 percent in 1964—who would be receiving OASDI benefits if the insured workers chose to retire.

The aged population increased in the past 5 years by almost 10 percent, and the number of aged OASDI beneficiaries increased by about 35 percent during the same period. It is estimated that, of all the persons currently reaching age 65, about 91 percent are eligible for OASDI benefits.

While the number of child beneficiaries has been steadily increasing, the proportion of children among the beneficiaries in the program has continued to drop, from 31 percent of the total in

CHART 1.—Proportion of the total population aged 65 and over receiving OASDI benefits at the end of selected years, 1940-64¹



¹ Beginning July 1951, includes Puerto Rico and the Virgin Islands; beginning July 1961, includes Guam and American Samoa.

1944 to less than 12 percent at the end of 1964. A similar drop (from 9 percent to 2 percent) in the proportion of widowed-mother beneficiaries has also taken place during this period. Children of deceased workers represented more than 90 percent of all children on the beneficiary rolls through 1956; children of retired workers made up the remainder. With the extension of benefits to children of disabled workers in 1958, the proportion of survivor children has dropped steadily, reaching a low of 67 percent at the end of 1964.

Disabled workers and their spouses represented 3 percent of all beneficiaries at the end of 1959 and 5 percent by the end of 1964. When the children are included, the proportion of disabled workers and their dependents at the close of 1964 becomes 8 percent. The elimination of the age-50 requirement for receipt of disability benefits in 1960 was largely responsible for the increase.

Disability and Old-Age Benefits, by State, December 31, 1964*

Benefits under the old-age, survivors, and disability insurance program were being paid at the end of 1964 to 894,000 disabled workers under age 65 and to 10,669,000 retired workers aged 62 or over. In the accompanying tables, the beneficiaries have been classified according to their State of residence¹ at the end of 1964. The tables also show the average old-age and disability benefits being paid in December 1964, as well as the percentage distribution of the beneficiaries according to the size of their benefit.

During 1964 the number of retired-worker beneficiaries increased by 405,000—the smallest rise since 1952. The year's growth (67,000) in the number of disabled-worker beneficiaries was the smallest in the history of the program. About 2,000 disabled workers were receiving benefits as a result of Public Law 88-650, enacted October 13, 1964, which removed the 18-month limitation on retroactivity of disability applications filed after June 30, 1962. Under this amendment, some workers who had a longstanding dis-

ability but who could not meet the insured-status requirements for disability benefits within the 18-month period before the filing date were enabled to regain insured status. Many more workers will be awarded disability benefits under this provision in 1965.

The average monthly amount for retired-worker beneficiaries rose slightly (by a few cents) each month during 1964 and at the close of the year was \$77.57, or 69 cents higher than the average a year earlier. The average monthly benefit payable to disabled-worker beneficiaries showed slight increases each month except December, and at the year's end it was \$91.12, or 53 cents higher than the average in December 1963.

The increases were the result of several influences. Most important, for both old-age and disability benefits, was the continuing rise in the proportion of benefits computed on the basis of earnings after 1950. Almost 78 percent of the old-age benefits being paid for December 1964 were based on earnings after 1950, in comparison with 72 percent in 1961 and 58 percent in 1957. The proportion of disability benefits based on such earnings was 87 percent at the end of 1964, compared with 80 percent in 1961 and 62 percent in 1957. Another factor was the increase from \$4,200 to \$4,800 in the amount of annual earnings creditable for years after 1958.

The average old-age benefit also reflected the rise in the proportion of beneficiaries whose benefits were computed under the provisions that permit as many as 5 years of lowest earnings and periods of disability to be excluded in calculating the average monthly wage. A counteracting factor, tending to hold down the average old-age benefit, was the large number of actuarially reduced benefits awarded during the year.

The amount of the average disability benefit payable at the end of 1964 reflects the substantial number of benefits that were raised as a result of a provision in Public Law 88-650. This provision enabled disabled-worker beneficiaries who had been adversely affected by the 18-month limitation on retroactivity of disability applications to have their benefits recomputed. About 19,000 disabled workers had their benefits increased by an average of \$3.77 a month. The average at the end of the year was held down, however, by the 2,000 benefits awarded in December to disabled workers who regained their in-

* Prepared in the Division of the Actuary.

¹ Data for American Samoa, Guam, Puerto Rico, the Virgin Islands, and foreign countries are excluded from the State comparisons made later in this note.