

# Social Security Legislation: Thirty Years in Review\*

THIRTY YEARS ago, on August 14, 1935, President Franklin D. Roosevelt signed the Social Security Act, which included provision for what is now the old-age, survivors, and disability insurance (OASDI) program. The three-decade history of that program<sup>1</sup> is a history of continuing expansion and extension, as Congress has repeatedly acted to provide protection against additional risks and for additional occupational groups.

The Social Security Amendments of 1965, approved by President Lyndon B. Johnson on July 30, 1965, round out that protection by establishing two programs of health insurance for the aged.<sup>2</sup> One is a basic plan, providing insurance against the costs of hospital and related care and financed through a separate payroll tax and separate trust fund. The other is a voluntary "supplementary" plan providing physicians' and other medical and health services. It is financed through small premiums (initially \$3 a month) paid by individual participants and by a matching contribution made from general revenues by the Federal Government.

The new law also amends the OASDI provisions. It raises benefits by 7 percent, with a minimum increase of \$4 a month for an individual and \$6 for a couple aged 65 or over; authorizes benefits for certain children until they reach age 22 if they are still in school and for dependent divorced wives aged 62 or over; permits payment of actuarially reduced benefits to widows at age 60; provides for payment of benefits on a transitional basis to certain persons who have reached age 72 and who have been ineligible; increases the amount a beneficiary may earn without having his benefits reduced; and liberalizes the definition of disability for receipt of disability insurance benefits.

The 1965 amendments also extend coverage to

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<sup>1</sup> The other programs established under the Social Security Act are not discussed in this summary.

<sup>2</sup> A detailed report on the amendments and a legislative summary will be presented in the *Bulletin* for September.

self-employed physicians and certain additional employees of State and local governments, exempt from the program certain religious groups, and cover as wages cash tips received by an employee. In addition, they revise the tax schedule, increase the amount of earnings counted for benefit and tax purposes, and revise the allocations to the old-age and survivors insurance and the disability insurance trust funds.

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## Social Security and the Challenge of Change

PRESIDENT JOHNSON has said, "this Nation of abundance can surely afford . . . to assure all citizens of decent living standards regardless of economic reverses or the vicissitudes of human life and health."

Our social security program assures a continuing income to millions of people too old or too young to support themselves by their own labor, or too sick to be able to work. In 30 years, this program has become an accepted part of our society. It responds to changes in need, population, technology, and the public interest.

This year the social security program has passed a number of important milestones: we are observing the thirtieth anniversary of the Social Security Act; for 25 years benefit payments have been made without interruption; we have welcomed the 20-millionth beneficiary; and far-reaching amendments have brought long-needed improvements to the program. The challenge of change is unending.

As the public official charged with leadership in the development of our programs of health, education, and welfare, I am pleased to salute this great institution of social security which has weathered the many tests of our changing times and remains viable for the future.



Secretary of Health, Education, and Welfare

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## **OLD-AGE INSURANCE**

The original Social Security Act established an old-age insurance program, designed to pay retired workers aged 65 or over a continuing income, with their rights established by law and benefits payable without a means test. Coverage was limited to workers in industry and commerce—about 60 percent of the labor force. If a worker did not have enough coverage to qualify for monthly benefits, he would receive a lump-sum payment related to the amount of his wage credits. To finance the program, employees and employers were each to pay 1 percent of the worker's wages up to \$3,000 a year, and that amount was the maximum considered in computing the benefit amount. This program was superseded by a broader program before monthly benefits became payable.

## **FAMILY PROTECTION**

With the adoption of the 1939 amendments to the Act, the old-age insurance program became old-age and survivors insurance, providing protection for the insured worker's family as well as for the worker himself. Monthly benefits, first payable for January 1940 (rather than January 1942 as in the original law), were authorized not only for aged retired workers but for their aged wives or widows, children under age 18, and surviving aged parents. Benefits were payable as long as the worker was substantially retired—that is, as long as his earnings in covered employment did not amount to \$15 a month.

The 1939 law also changed the method of computing the benefit amount—from one based on total benefits to one using average earnings. Under a new provision relating to insured status, a worker was generally eligible for benefits if he had worked half the time after 1936 and before he reached age 65; he must have had at least 1½ years of employment.

## **BENEFIT INCREASES AND COVERAGE EXTENSION**

Congress made no major changes in old-age and survivors insurance during the 1940's, as it gave priority to legislation relating to the war and the problems of postwar adjustment.

In the 1950 amendments, Congress recognized the rise in wage rates and living costs that had taken place and voted the first general increase in benefits, raising them by an average of about 80 percent. The purchasing power of benefits for those on the rolls was thus restored to approximately the 1940 level. The amount that a beneficiary could earn and still receive benefits was raised to \$50 a month, and a worker aged 75 or over could receive benefits no matter how much he earned. Benefits were authorized for dependent aged husbands and widowers and for wives under age 65 who had in their care children eligible for benefits.

Coverage was extended to an estimated 10 million additional workers. The largest groups were the nonfarm self-employed (excluding professional groups), regularly employed farm and domestic workers, and—on a group-elective basis—employees of State and local governments without staff retirement protection and employees of nonprofit institutions. Because these groups had no opportunity for coverage before 1951, a provision was adopted permitting a worker's insured status to be established and his benefit computed solely on the basis of earnings after 1950 if that would be to his advantage.

The maximum earnings base for tax and benefit computation purposes was raised to \$3,600 a year, and the combined employer-employee contribution rate was raised to 3 percent.

The 1954 law added to coverage another estimated 10 million persons, including clergymen (the only group for whom coverage on an individual voluntary basis has ever been made possible), farm owners and some professional self-employed groups, additional farm and domestic workers, and State and local government employees with retirement systems of their own. To ensure that lack of coverage before 1955 would not reduce benefits, a "drop-out" provision was included, under which as many as 5 years of lowest or no earnings can be ignored in computing the benefit amount.

The average monthly benefit was raised by about 13 percent. (An average increase of 15 percent had been voted in 1952.)

Under a new test of retirement, a beneficiary could earn \$1,200 a year without loss of any benefits. He would receive benefits, moreover, for any month in which he earned no more than \$80 and had no substantial self-employment, regardless of

his earnings for the year. Beneficiaries aged 72 or over could draw benefits regardless of their earnings. The maximum earnings base was raised to \$4,200, and the contribution schedule was revised.

### PROTECTION AGAINST DISABILITY

One of the major provisions of the 1954 amendments was the disability freeze—the first protection against the risk of disability to be included in the Act. Under the freeze provision, periods of time that a person is out of work because of extended disability can be omitted in the benefit computation.

With the enactment of the 1956 amendments, the old-age and survivors insurance program became old-age, survivors, and disability insurance. Disability insurance benefits were authorized for disabled workers aged 50–65, and persons over age 18 and continuously disabled since before they reached that age could receive child's benefits (as survivors or as children of retired workers). To meet the added cost, the combined contribution rate was raised  $\frac{1}{2}$  percent, to  $4\frac{1}{2}$  percent.

The 1956 law also extended coverage to about 900,000 persons in civilian employment—among them most previously excluded professional self-employed persons and additional farm owners and operators—and to almost 3 million members of the uniformed services.

Another new provision lowered to 62 the age at which women can become eligible for benefits. For a woman who elects to receive a retirement benefit based on her own earnings record or to draw wife's benefits before she reaches age 65, the benefit is actuarially reduced to take account of

the longer period that the benefits may be paid. Widows could receive benefits at age 62 without reduction.

In 1958, amendments were adopted that permit payment of benefits to the dependents of workers receiving disability insurance benefits and, for the worker himself, modified the requirements for insured status. Further extensions of coverage were made, and benefits were raised by an average of 7 percent. The retirement test was liberalized, the maximum earnings base was raised to \$4,800, and the combined contribution rate was increased to 5 percent.

The 1960 amendments strengthened the disability protection provided under OASDI by permitting a disabled worker under age 50, and his dependents, to qualify for monthly benefits. They also established a new retirement test; for a beneficiary under age 72 earning more than \$1,200 a year, \$1 in benefits was to be withheld for each \$2 of earnings from \$1,200 to \$1,500 and for each \$1 above \$1,500. The requirements for insured status were liberalized by requiring 1 quarter of coverage for every 3 calendar quarters after 1950, and child's benefits were increased.

Under the 1961 amendments the age at which men are first eligible for old-age and survivors insurance was lowered to 62, with benefits actuarially reduced. Benefits were again increased, and the requirements for fully insured status were changed to 1 quarter of coverage out of every 4 quarters since 1950. The retirement test was again liberalized, and the contribution schedule was further revised.

In 1964 several laws were enacted that amend the OASDI program. The most important was the provision permitting disabled workers to establish the beginning of a period of disability as of the date of actual disablement, regardless of the date they apply for benefits.