

# Young Adults and Social Security

by IDA C. MERRIAM\*

THE WHITE HOUSE CEREMONY on August 14, 1935, followed the time-honored ritual. Into the Cabinet room came the invited guests, Cabinet officials, Senators and Congressmen from Capitol Hill, members of the President's Economic Security Committee. They were to be the official witnesses as Franklin D. Roosevelt signed the Social Security Bill, recently given final approval by the House of Representatives and the Senate.

Eight months earlier the President had recommended the proposals drafted by his Economic Security Committee. Throughout the long hearings and debates that followed, the arguments for and against the creation of a social security system dominated the news flow from Washington.

The measure would bring into being two social insurance programs on a national scale to meet the risks of old age and unemployment: a Federal system of old-age benefits for retired workers who had been employed in industry and commerce and a Federal-State system of unemployment insurance. In addition to the social insurance innovations, the law also provided for Federal grants-in-aid to the States to help meet the cost of assistance to the needy aged and blind and to needy children deprived of support or care by a parent's death, incapacity, or absence from home. Other Federal grants were established to enable States to extend and strengthen maternal and child health services, services for crippled children, and child welfare services. And still other Federal grants to the States were provided for public health services and vocational rehabilitation services.

All these programs are social security in the broad meaning of that term. But perhaps because the Federal system of old-age benefits to retired workers represented a fundamental departure in public policy from the Nation's traditional reliance on individual responsibility and self-help as

a means of achieving security, perhaps because 25 million paid workers in the country and their employers were soon to be personally involved in the retirement program through payroll contributions, and perhaps because the retirement insurance program became the central target of opposition, this portion of social security soon established itself in the public mind as *the* social security program.

No doubt some official witnesses who met with President Roosevelt 33 years ago could not entirely divorce from their minds the dire predictions voiced by the opponents. The measure, said the critics, was "insidiously designed to enslave workers." They said the new law would loose "the lash of the dictator." They said social security would "threaten the integrity of our institutions and pull the pillars of the temple down upon the heads of our descendants."

To the extent that the bill he was signing into law would "be regarded as historic for all time," the President agreed with the critics. But he saw it as "the cornerstone of a structure which is being built but is by no means complete." And to the end of his life he regarded it as the New Deal's "supreme achievement."

Today, from the perspective of a third of a century, it is appropriate to ask: What has social security meant to the descendants of those who created it? To what extent has this system of social insurance influenced the integrity of the Nation's institutions—this program of family-wide protection, extended over the years from an income-maintenance program for retired workers to one with a spectrum of benefits covering retired and disabled workers and their dependents and the survivors of insured workers (and now providing comprehensive health insurance for the aged)? Is it possible to measure in specific terms the impact of social insurance on an entire generation of Americans?

This review seeks answers to such questions by focusing on the individuals who were born in 1935—the year the Social Security Act became law. These men and women who are 33 years old in 1968 will be the first individuals reaping the

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full protection afforded young people by the old-age, survivors, disability, and health insurance (OASDHI) program. They have gone full cycle—from being protected children to protecting their own children under the program. For

## The Social Security Generation

2,270,000 persons born in 1935 make up the "social security generation." They include not only those persons born during 1935 in the United States and its possessions but other persons born that year who have since migrated to the U.S.

2,200,000 members of the generation were still living in 1968, 1.1 million of them men, 1.1 million of them women.

902,000 of the generation's men were married and living with their wives.

924,000 of the generation's women were married and living with their husbands.

3,800,000 children have parents who are members of the social security generation.

3,600,000 parents of the generation members were still alive in 1968.

140,000 members of the social security generation, by 1968, had received or were receiving social security benefits.

101,000 generation members became entitled to monthly benefits because they were children of retired or deceased workers insured under the social security program.

8,000 members of the generation who became disabled in childhood and remain so are receiving benefits.

57,000 survivors and dependents of generation members are receiving social security benefits in 1968. They include 13,000 families of deceased workers, 6,000 families of disabled workers.

750,000 parents of generation members were receiving social security benefits in 1968.

16,000 women born in 1935 are entitled to benefits as widows of insured workers.

31,000 children of deceased workers born in 1935 have received monthly survivor benefits.

7,000 women born in 1935 receive benefits because their husbands are disabled.

12,000 children of generation members receive benefits because their parent became disabled.

ease of identification they can be called the social security generation.

They numbered, at the beginning of 1968, an estimated 2.2 million living in the United States or its possessions or serving in its Armed Forces overseas. The generation's population is equally divided between the sexes: 1.1 million men and 1.1 million women. These totals take account of migration to and from this country by persons born in 1935.

Thirty-three years after the birth of this generation, 97 percent of its original membership survives. The 70,000 dead include 44,000 men and 26,000 women.

### CHARACTERISTICS OF THE SOCIAL SECURITY GENERATION

If, in Harold Laski's phrase, "men are the prisoners of their experience," a clue to the individuality of the social security generation is offered by the chronology of its time, depicted on page 9. Like the Social Security Act itself, its members were born during the Great Depression. Their impressionable preschool years were also the closing years of that traumatic era. But their firsthand memories of widespread want, of deprivation, of adult despair are likely at best to be dim or nonexistent. Unlike many of their elders, they were not to be permanently scarred by the fear of general economic collapse.

Nor was that other great adventure in their elders' lives—World War II—an opportunity for personal involvement. Most of this generation was in the first grade when the Japanese bombed Pearl Harbor and had barely been promoted to the fifth grade by V-J Day.

### Military Service

When the Korean conflict broke out in 1950, the social security generation was just 15, still too young for military service. But by the time the Korean armistice was negotiated in July 1953, most of them had graduated that spring from high school. At that point some of the young men began volunteering for service. Others waited out an induction notice from the Selective Service

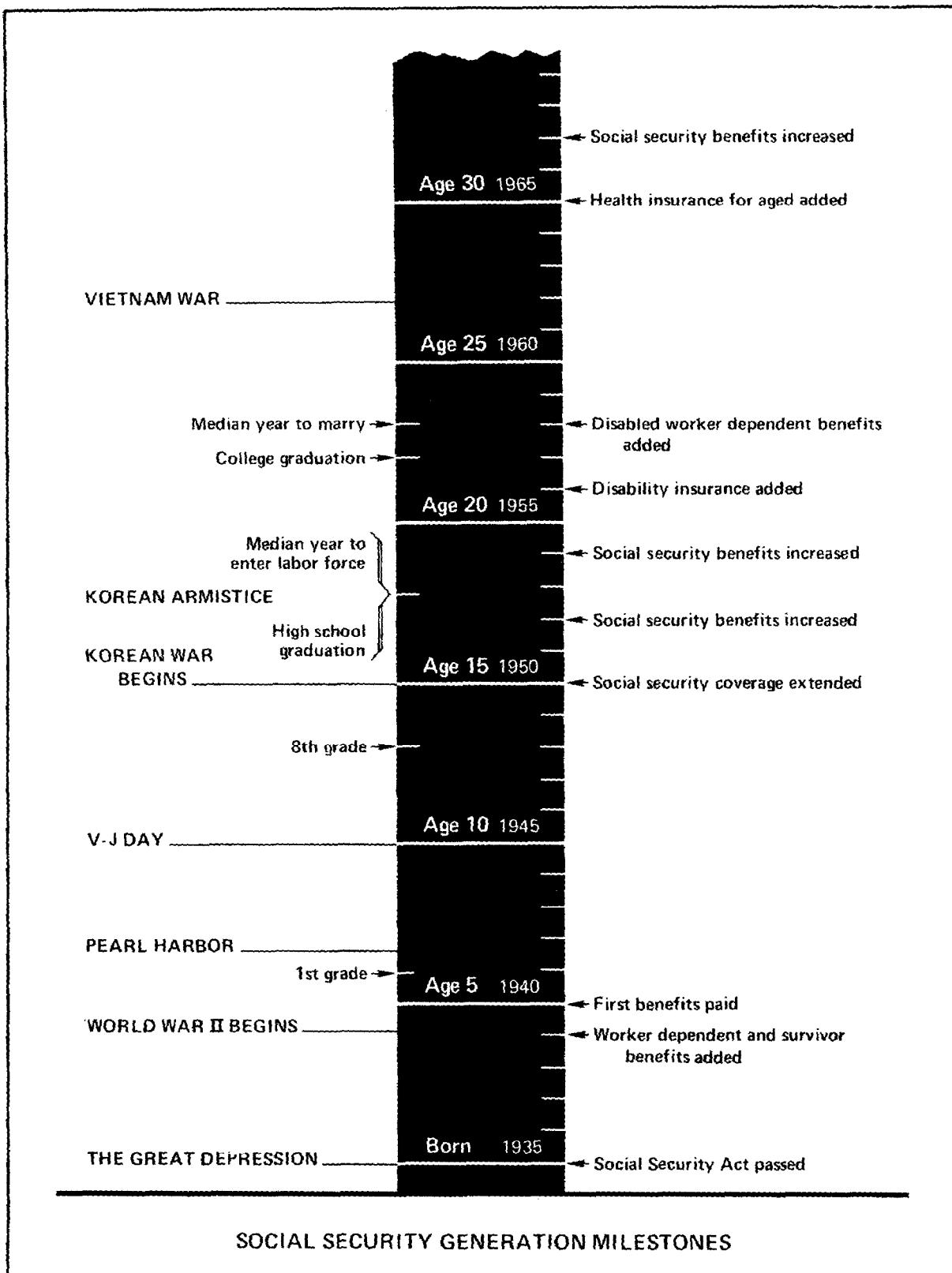


TABLE 1.—Years of school completed by persons aged 30-34, by sex, March 1967

Years of school completed	Percentage distribution		
	Both sexes	Men	Women
Total.....	100.0	100.0	100.0
No school.....	.4	.4	.4
Elementary school:			
1-4 years.....	1.4	1.8	1.1
5-7 years.....	5.1	5.6	4.7
8 years.....	6.5	6.9	6.2
High school:			
1-3 years.....	18.4	16.3	20.5
4 years.....	42.4	37.0	47.6
College:			
1-3 years.....	12.0	12.9	11.1
4 years.....	9.1	11.5	6.8
5 years or more.....	4.6	7.6	1.7

Source: Bureau of the Census, *Current Population Reports*, "Educational Attainment: March 1967," Series P-20, No. 169, February 1968.

**Administration.** Today's Vietnam war finds more than 90 percent of the generation's men beyond draft age or with their military obligation behind them. As of December 1967, about 66,000 were still serving in the Armed Forces, almost entirely on a career basis.

## Education

Like the military obligation, the formal education of the social security generation is for all practical purposes complete. It's apparent from a look at their academic record that they contributed significantly to the long-term trend of an increasing proportion of young Americans who remain in the classroom through high school graduation and beyond. Table 1 indicates that 2 out of 3 generation members attained that goal.

By March 1967, more than 25 percent of the entire group had been to college and about half these generation members graduated. One of 20 in the generation had a year or more of advanced study. In addition, 42 percent had completed high school but did not enter college.

Perhaps the most striking educational achievement was the success of the nonwhite members in approaching parity with the white members in the number of years of school completed. By March of last year, the nonwhite aged 30-34 had advanced their median for school years completed to 12.1—up from 10.5 for those aged 35-44 and from 8.7 for the group aged 45-54, which included many of their parents. The detail of this achievement is shown in the tabulation that follows.

Age	Median number of school years completed		
	Total	White	Nonwhite
30-34.....	12.4	12.5	12.1
35-44.....	12.3	12.4	10.5
45-54.....	12.1	12.1	8.7

Source: Bureau of the Census, *Current Population Reports*, "Educational Attainment: March 1967," Series P-20, No. 169, February 1968.

Like every age group that makes its way through the educational mill, these young people were the object of much study and labeling. As a group they came to college in the wake of the great campus invasion by World War II veterans. The commentators of the day were quick to view with alarm the apparent differences. They used such tags as "dull," "self-centered," and "silent" to describe the younger students. Their seeming reticence prompted the President of Harvard University to warn they possessed no drive to remake the world. Annoyed by the labeling, one social security generation member shot back that if the elders really wanted to understand the young they must not forget that "those of us born between 1933 and 1939 were *the unwanted generation*."<sup>1</sup>

## Marital and Family Status

The low birth rates prevailing when the social security generation was born are usually attributed to the unwillingness of parents to bring babies into an uncertain world. No such gloom is apparent in the social security generation's ap-

<sup>1</sup> Tom Slinkard, "A Teen-Ager Talks Back," *Coronet*, March 1955, page 27.

TABLE 2.—Household status of persons aged 30-34, by sex, March 1967

Household status	Percentage distribution		
	Total	Men	Women
Total.....	100.0	100.0	100.0
Living in households.....	98.8	98.1	99.4
Members of families.....	94.6	92.2	96.8
Unrelated individuals.....	4.2	5.9	2.6
Household head.....	3.1	4.3	2.0
Other individuals.....	1.1	1.6	.6
Living in group quarters.....	1.2	1.9	.6
Inmates of institutions.....	1.0	1.5	.5
Other individuals.....	.2	.3	.1

Source: Bureau of the Census, *Current Population Reports*, "Marital Status and Family Status: March 1967," Series P-20, No. 170, February 1968.

TABLE 3.—Marital status of persons aged 30–34, by sex, March 1967

Marital status	Percentage distribution	
	Men	Women
Total.....	100.0	100.0
Single.....	11.7	4.7
Married.....	85.5	89.5
Spouse present.....	82.4	84.1
Spouse absent.....	3.1	5.4
Separated.....	1.8	3.6
Husband in Armed Forces.....		.4
Other.....	1.4	1.4
Widowed.....	.2	1.3
Divorced.....	2.6	4.5

Source: Bureau of the Census, *Current Population Reports*, "Marital Status and Family Status: March 1967," Series P-20, No. 170, February 1968.

TABLE 4.—Number of children under age 18 in families with head aged 30–34, March 1966

Family type and number of children under age 18	Percentage distribution	
	All families	Married couples
Total.....	100.0	100.0
None.....	9.9	9.6
1 child.....	14.2	14.0
2 children.....	28.5	29.3
3 children.....	22.5	22.8
4 or more.....	24.9	24.3

Source: Bureau of the Census, *Current Population Reports*, "Household and Family Characteristics: March 1966," Series P-20, No. 164, April 1967.

TABLE 5.—Married couples by average number of children and age of husband, March 1966

Age of husband	Average number of children per—	
	Married couple	Married couple with children
Total, all ages.....	1.39	2.43
Under 25.....	.92	1.55
25–29.....	1.78	2.21
30–34.....	2.57	2.84
35–44.....	2.49	2.84
45–54.....	1.21	2.11
55–64.....	.30	1.82
65 and over.....	.07	1.71

Source: Bureau of the Census, *Current Population Reports*, "Household and Family Characteristics: March 1966," Series P-20, No. 164, April 1967.

proach to marriage and parenthood. They exhibit a marked propensity for all things domestic.

Practically all of this generation live with families. In March 1967, about 92 percent of the men and 97 percent of the women were so situated. Most of the others lived alone in private households (table 2). Eighty-four percent of the women were married and living with their husbands—the highest proportion of any age group. Nearly as many of the generation's men (82 per-

cent) were similarly domesticated (table 3). Only 2 out of every 1,000 men and fewer than 20 out of every 1,000 women were widowed. Divorces were about as common as with other age groups—for 2.6 percent of the men and 4.5 percent of the women. Altogether, persons aged 30–34 headed nearly 9 percent of the households in the country.

These households tend to be filled with young children. Nearly half the families headed by a generation member have three or more children under age 18 (table 4). Among all married couples in 1966, those with the husband aged 30–34 had the highest average number of children, 2.57 (table 5).

These numbers underscore the obvious. As the young members of the social security generation emerged from school and entered upon careers and marriage in the late 1950's, they wanted children and they wanted to have them early in their married life. Their manifest confidence, contrasted with that of their parents in the 1930's, can be attributed to many factors, including the income-maintenance insurance provided by the Social Security Act against the risks of personal misfortune and disaster.

### Career and Employment

In the light of their domestic responsibilities, it follows that very high proportions of the social security generation work.

In March 1966, 99 percent of the married men aged 30–34 were in the labor force, along with 34 percent of the married women. In December 1967

TABLE 6.—Labor-force status of persons aged 30–34, by sex, December 1967

Labor-force status	Percentage distribution	
	Men	Women
Total.....	100.0	100.0
In labor force.....		
Armed forces.....	97.8	42.6
Civilian labor force.....	5.9	.1
Employed.....	92.0	42.6
Unemployed.....	91.3	40.7
Not in the labor force.....	1.6	1.9
Keeping house.....	2.2	57.4
Going to school.....	.1	36.2
Unable to work.....	.8	.6
Other reasons.....	.5	.2
Unemployed as percent of number in labor force	.8	.4

Source: Bureau of Labor Statistics, *Employment and Earnings*, January 1968.

more than half (56 percent) of the women in that age group were keeping house; among both men and women, fewer than 2 percent were unemployed (table 6). Nor were many content with a single job. As the following figures demonstrate, relatively more of the employed persons in the social security generation's age group held two or more jobs in May 1966 than did workers in their early twenties or workers aged 35-44. On the average, the generation "moonlighters" worked 14 hours a week at their second job.

Age	Median number of hours at 2d job for total with 2 or more jobs	Percent with 2 or more jobs		
		Total	Men	Women
20-24	14	3.8	5.5	1.5
25-34	14	6.6	8.2	2.9
35-44	15	5.8	7.6	2.4

Source: Bureau of Labor Statistics, *Multiple Jobholders in May 1966* (Special Labor Force Report No. 40).

Table 7 illustrates both the mobility of the social security generation in the labor force and its stability. One in five of the men had been on his current job a year or less in January 1966. But almost as many had job tenure of 10 years or more. More than 45 percent had job tenure of 5 years or more. For the women—despite confinements for pregnancy, the demands of home management, and the usual necessity of accommodating their employment to relocations dictated by their husband's careers—the median job tenure was 2 years.

What kind of occupations attracts these young men and women? What are they equipped to do? Armed as they are with significant educational advantages, a greater proportion of them are

TABLE 7.—Employed persons aged 30-34, by length of employment on current job, January 1966

Duration of current job	Percentage distribution	
	Men	Women
12 months or less	20.7	37.1
13-24 months	10.1	13.1
25-36 months	8.2	9.1
37-60 months	13.0	13.3
61-120 months	26.5	15.5
More than 10 years	18.9	9.3
Duration not reported	2.5	2.7
Median years on job	4.6	2.0

Source: Bureau of Labor Statistics, *Job Tenure of Workers*, Special Labor Force Report No. 77, January 1966.

TABLE 8.—Employed persons aged 25-34, by major occupational group and sex, December 1965

Occupational groups	Percentage distribution	
	Men	Women
All occupational groups	100.0	100.0
Professional, technical, and kindred workers	17.4	17.7
Farmers and farm managers	2.4	.2
Managers, officials and proprietors, (except farm)	10.8	2.7
Clerical and kindred workers	6.9	34.8
Sales workers	6.0	4.9
Craftsmen, foremen, and kindred workers	19.6	1.1
Operatives and kindred workers	22.6	16.2
Private household workers	.2	5.1
Service workers (except private household)	5.5	14.6
Farm laborers and foremen	1.7	2.2
Laborers (except farm and mine)	6.7	.4

Source: Bureau of Labor Statistics, *Labor Force and Employment in 1965*, Special Labor Force Report No. 69.

employed in professional and technical occupations than any other age group. Between 17 percent and 18 percent of both the men and the women in their late twenties or early thirties qualified for these prestigious positions in December 1965 (table 8). Forty-two percent of the men and 17 percent of the women were craftsmen or operatives. Fewer than 7 men in 100 were laborers. Traditional occupations for women in clerical, sales, and service jobs accounted for less than 55 percent altogether.

## Income

In terms of income, most members of the social security generation are already above the average for all persons with income. And they can expect their income status to improve over the next 20 years. As illustrated in table 9, the median income for men showed a substantial rise immediately after age 25. The 33-year-old man in 1966 was in the age group earning close to twice as much as men 10 years younger and only 11 percent less than the men 10 years older, who are in the highest income age bracket. In 1966, half the men in the social security generation earned over \$6,500—\$100 a month above the median income for all men with income that year. Though median income of the generation women was lower (\$2,350), it was \$700 a year more than the median for all women with income.

Unlike the median income for men, which declines after age 45, the income curve for women continues to improve through age 54 as increas-

TABLE 9.—Median income of persons with income in 1968, by age, sex, and work status

Age	Men with income			Women with income		
	All workers, median income	Year-round, fulltime workers		All workers, median income	Year-round, fulltime workers	
		Percent in population	Median income		Percent in population	Median income
Total...	\$5,306	60.2	\$6,955	\$1,638	30.0	\$4,026
14-19.....	486	6.0	2,426	423	7.2	2,827
20-24.....	3,330	48.6	5,041	2,126	35.1	3,800
25-34.....	6,507	79.6	6,932	2,350	36.2	4,152
35-44.....	7,305	83.1	7,765	2,580	42.2	4,143
45-54.....	6,918	80.5	7,399	2,758	48.2	4,191
55-64.....	5,750	68.4	6,680	2,214	39.1	4,067
65 and over	2,162	14.8	5,382	1,085	4.8	3,379

Source: Bureau of the Census, *Current Population Reports*, "Income in 1966 of families and persons in the United States," Series P-60, No. 53, December 1967.

ing proportions of them are available to be year-round, full-time workers. At 1966 earnings levels, these factors, as the following figures show, make it reasonable for social security generation members to anticipate a rise in annual family income of some \$1,500 over the next 20 years.

Age of family head	Median family income, 1966	
	All families	Family with head year-round, full-time worker
25-34.....	\$7,535	\$8,064
35-44.....	8,549	9,282
45-54.....	8,861	9,683
55-64.....	7,586	8,691

Source: Bureau of the Census, *Current Population Reports*, "Income in 1966 of Families and Persons in the United States," Series P-20, No. 53, December 1967.

### The Generation at a Glance

In summary, the social security generation was born amid the general uncertainty produced by the Great Depression. Its members seem to have emerged with a determination to make the most of their opportunities. More of them graduated from high school and college than did preceding generations. The fortunes of war permitted a higher proportion of the young men to fulfill their military obligation in peacetime. They entered on marriage with a manifest confidence reflected in their determination to have children and have them in a hurry. By 1966, nearly half the families headed by generation members had three or more children.

More of them are equipped to undertake professional and technical occupations. And despite the tendency of all new generations to resist the restraints imposed by the existing establishment, the social security generation reflects a reassuring stability. At age 33, more than 45 percent of the men had job tenure of 5 years or more. As a group, the generation enjoys an income status well above the median for all persons with income. In the light of such general affluence and good fortune the protections afforded by the Social Security Act might seem superfluous. Consider, then, how the OASDHI program has contributed to the development and well-being of these men and women and their families.

### PARTICIPATION IN SOCIAL SECURITY BENEFITS

As Franklin Roosevelt forecast, social security is "a structure being built but by no means complete." When the members of the social security generation were born, the program was a simple annuity system for certain retired workers. By the time they were 4 years old, Congress had added benefits for the dependents of retired workers and for the survivors of insured workers who died before reaching retirement age. Monthly benefits first became payable in 1940. As generation members reached adolescence in 1950, the

Ages at which entitled persons can qualify for cash benefits under OASDHI

Type of beneficiary	Age when eligible for benefit	
	Reduced benefit	Full benefit
Retired worker.....	62→	65→
Disabled worker.....		No minimum age, work requirement only. <sup>1</sup>
Wife of retired worker..... With worker's dependent child in her care.....	62→	65→ No minimum age.
Widow of retired worker..... With worker's dependent child in her care.....	60→	62→ No minimum age.
Disabled widow.....	50→	62→
Disabled widower.....	50→	65→
Dependent husband or widower of retired or disabled worker.....	62→	65→
Dependent parents of deceased worker.....		62→
Child of retired, disabled, or deceased worker..... With childhood disability..... If full-time student.....	Up to 18.	18→ 18-21

<sup>1</sup> Benefit is converted to old-age benefit at age 65.

coverage of the program was extended to millions of additional jobs.

Disability insurance came in 1956 as generation members were casting their first votes in a presidential election. Two years later benefits for the dependents of the disabled were added. By the time generation members were aged 30, the health insurance program for the aged was enacted. In other changes, Congress liberalized benefits, lowered the age at which beneficiaries could become entitled, and extended coverage to about 90 percent of all gainfully employed workers. Far from being confined to aiding the aged, social security provides protection and makes benefits available to eligible persons in all age groups.

### **Insurance Status**

For a generation member to be fully insured against the risks covered by the program he must have at least as many calendar quarters of coverage as years have elapsed since 1956, the year he reached age 21. At the end of 1967, 11 years had elapsed since generation members reached age 21, and they therefore needed 11 quarters of coverage to be fully insured. As of January 1, 1968, 925 in each 1,000 living men in this generation, were fully insured; 666 in each 1,000 of the women living on January 1 were fully insured (table 10).

To be permanently insured under the program the worker must have 40 (not necessarily consecutive) quarters of coverage, the equivalent of 10 years of employment. Of living generation mem-

bers on January 1, 1968, there were 729 in each 1,000 men who were permanently insured and 146 in each 1,000 women.

For some types of social security benefits the worker must also be currently insured—that is, he must have 6 quarters of coverage out of the last 13 quarters. As 1968 began, 857 out of 1,000 men in this generation and 378 out of 1,000 women members were currently insured.

In the past, insured status for disability benefits has been difficult for many young workers to obtain. Generation members, for example, must have acquired 20 quarters of coverage during the last 40 quarters. On the first of January, 858 per 1,000 of the men and 364 per 1,000 of the women were insured against the risk of disability.

The 1967 amendments to the Social Security Act make it considerably easier for workers under age 31 to be insured for disability. For those between ages 24 and 31, work in covered employment is required for only half the time between age 21 and the time the worker becomes unable to work. Individuals becoming disabled before age 24 need only 1½ years of covered work out of the 3-year period ending when the disability begins.

The proportion of generation members who are permanently insured will increase among the men, as college graduates and other late starters in the labor force acquire 40 quarters of coverage. And as increasing numbers of generation women return to the labor force, the proportions fully insured, permanently insured, currently insured, and insured for disability will rise.

TABLE 10.—Insurance status of persons born in 1935 who were living on January 1, 1968, by sex<sup>1</sup>

Insurance and benefit status	Number per 1,000 living persons	
	Men	Women
Persons with social security numbers	991	920
Entitled to benefits	6	1
Not entitled to benefits	985	919
Fully insured	925	666
40 or more quarters of coverage	729	146
Currently insured	718	124
Not currently insured	11	21
Less than 40 quarters of coverage	197	520
Currently insured	135	246
Not currently insured	61	274
Currently insured only	4	8
Uninsured	56	245
Insured in event of disability	858	364

<sup>1</sup> Estimated from sample data and adjusted for duplicate account numbers, unreported deaths, and emigration.

### **Contributions**

The costs of social security are of particular concern to young people. The OASDHI program is self-supporting. All regular cash benefits and administrative costs are financed from the social security taxes paid by employees, employers, and the self-employed.

The risk is pooled by membership in the program. The cost of protection against the loss occasioned by the occurrence of the risk is averaged over the insured group. The cost of meeting the losses is actuarially evaluated, and contributions sufficient to cover the costs are provided

for. Benefits are paid from those contributions on a predetermined basis when and if the risks covered eventuate. The right to the benefits is a legal right enforceable in the courts.

From its beginning the program has been contributory and income-related. Persons working in employment covered by the law contribute a fixed portion of their earnings, up to a specified taxable limit. The more a worker contributes and the closer his earnings approach the taxable limit, the higher his monthly benefits and the monthly benefits of his dependents and survivors. This relationship between taxable earnings and the size of benefits is direct but not necessarily proportional. Workers whose contributions are modest but enough to qualify are awarded a minimum benefit.

In 1935, when the program began, the employee contribution rate was 1 percent on maximum taxable earnings of \$3,000 a year. By 1955, when the members of the social security generation reached age 20 and more than half of them were in the labor force, the rate was 2 percent on maximum taxable earnings of \$4,200. As benefits were raised and new protections were added, the contribution rate and the base for maximum taxable earnings were increased. During 1968 the rate is 4.4 percent on earnings of \$7,800. Given this experience, how much have the members of the generation contributed to the system?

For an individual employee in the social security generation, the total amount of his contributions to the old-age and survivors insurance and the disability insurance trust funds from 1955 to 1967, if he started contributing at age 20 and earned in each year thereafter the median amount earned by covered men or women in that year, is as follows:

Maximum contributions	\$1,948
Estimated contributions based on—	
Median earnings of men	1,413
Median earnings of women	675
Minimum contributions	77

The maximum employee contribution for any individual during this 12-year period has been about \$7 a month. The minimum contribution has been \$77. On the basis of the median earnings for the men and the women, the average contribution for men has been less than \$5 a month, for women less than \$3. The self-employed, less than 10 percent of all workers, have contributed at a rate 50 percent higher.

In any specific year only those persons who worked and had taxable earnings were included in establishing the level of median earnings for that year. The large number of generation women who were not employed at any time during a year was not represented in the median earnings for that year. Over half of all generation women have fewer than 20 quarters of coverage from the time they first worked until the end of 1966—a period spanning roughly 40 calendar quarters. Presumably, a good portion of these quarters of coverage were consecutive and acquired before the women married, started raising their families, and withdrew from the labor force. Among the men in this generation, two-thirds have 40 quarters of coverage or more and only 12 percent have fewer than 20—evidence of the steady flow of contributions that their high participation in the labor force suggests.

The employers of these men and women have contributed equal amounts into the social security trust funds.

#### Benefits Awarded Since 1940

Generation members have not only had the assurance of social security protection during most of their lives, but substantial benefits have already been awarded to many of them, their dependents, and their survivors. By January 1, 1968, awards had been made to 140,000 persons born in 1935 and to 57,000 of their survivors and dependents. The nearly 200,000 beneficiaries had received a total of \$332 million in monthly benefits, by the end of 1967.

The unique interdependence of one generation upon another that characterizes social security is underscored in the beneficiary experience of generation members. More than 108,000, or 77 percent of the 140,000 generation beneficiaries, gained their entitlement through contributions by their parents. As children of retired or deceased workers they received \$104 million from 1940 through 1953, the year they reached age 18. In addition, 7,800 of the generation members received payments on the basis of a parent's record from 1957 to 1967 that amounted to \$21 million, because of a childhood disability that entitled them to receive benefits after age 18. In terms of 1967 dol-

TABLE 11.—Number and amount of monthly benefits and lump-sum payments ever paid to persons born in 1935 and to their dependents and survivors, January 1, 1940–January 1, 1968

[In thousands]

Beneficiary type and basis of benefit	Total number of persons	Total amount of benefits paid (in current dollars)
On insured status of parent	108.4	\$125,772
Child under age 18	100.6	104,370
Person with childhood disability	7.8	21,400
Retired worker's dependent	4.2	7,442
Deceased worker's dependent	2.8	13,068
Disabled worker's dependent	.8	890
On insured status of husband	23.8	34,192
Wife who has in her care child of—		
Retired worker	.8	582
Deceased worker	15.6	29,340
Disabled worker	7.4	4,270
On own insured status	65.4	172,493
Disabled worker	8.1	19,527
Men	6.7	16,502
Women	1.4	3,024
Dependent of disabled worker	15.1	10,884
Child	11.8	(1)
Wife with child in her care	3.3	(1)
Survivor of deceased worker	42.2	142,083
Child	31.3	(1)
Widowed mother with child in her care	9.3	(1)
Parent	1.5	(1)
Lump-sum death payment	26.0	5,904

<sup>1</sup> Not available.

lars, the benefits received on the basis of a parent's record were the equivalent of \$143 million.

At about the time the generation members stopped drawing child's benefits they were entering the labor force and acquiring insured status on the basis of their own earnings records. Benefit payments based on the insured status of generation members had, by the end of 1967, been received by thousands of generation members and their families:

- 42,000 survivors of deceased members have been paid \$142 million in benefits
- 24,000 widows left with a member's child in their care have received \$34 million in benefits
- 8,000 severely disabled members have received almost \$20 million in benefits
- 15,000 dependents of disabled members have received almost \$11 million in benefits.

On January 1, 1968, about 77,000 members of the social security generation, their dependents, and their survivors were entitled to one or another of the various types of benefits. These beneficiaries included 5,800 disabled-worker families numbering more than 19,000 persons, and their average family benefit was \$172 a month. More than 13,000 families of deceased generation members (numbering more than 37,000 insured persons)

were receiving family benefits that averaged \$174 a month.

The significance of these monthly benefits to fatherless families cannot be judged by the modest size of the benefit alone. The Social Security Administration's 1963 national survey of widows with children under OASDHI found that the median per capita income of these widowed families was 50–100 percent greater than that of all fatherless families, depending on the size of the family. According to that study, "social security survivor benefits deserve the major credit for raising the income of widowed families above that of other fatherless families; without the benefits, their incomes would probably be about the same."<sup>2</sup>

Cash benefits are but one measure of OASDHI's value to young families. Just as most people who invest in fire insurance hope they are not forced to collect on their policies, so social security generation members hope they will not have to collect on every protection offered by OASDHI. The fact, however, that survivor insurance is available if the family breadwinner should die is a consolation of considerable value.

Unlike regular life insurance, the monetary value of survivor insurance is not a fixed sum. The benefits are related to the insurance requirements of the worker. As the Office of the Actuary of the Social Security Administration has pointed out, for a young man with no dependents the insurance value of his OASDHI protection would start at about \$225—the single lump-sum payment that would be made upon his death. The value would be increased by the worker's marriage and by the arrival of each child. If the worker dies leaving a young wife and two young children, the value of his survivor insurance could be more than \$60,000. It would be even higher if he left a larger family. As the worker's children reach adulthood, of course, the value of his survivor insurance declines. But the total value of the program insurance will begin to rise to another peak as he and his wife approach retirement age.

Like survivor insurance, the value of disability insurance to the worker is affected by the worker's wages and the number and age of his dependents.

<sup>2</sup> Social Security Administration, Office of Research and Statistics, *Widows with Children under Social Security*, Research Report No. 16, page 63.

Consider the 33-year-old worker who has had maximum earnings for social security purposes since 1961: If he becomes disabled at age 40, he could receive a monthly benefit of \$192 for the next 24 years. If he is married and has two children when he becomes disabled, his family could receive an additional monthly benefit of \$206.40, for a total monthly benefit of \$398.40. So long as the worker remains disabled, this benefit will continue until his children reach age 18—or 22 if they remain in school.

Finally, the value of social security to young adults cannot be fully assessed without taking into account the importance of retirement benefits and health insurance for the aged in the lives of their parents. The Office of the Actuary estimates that in 1968, 750,000 of these parents are receiving monthly cash benefits. They include some 50,000 disabled workers and their dependents, 100,000 early retirees, and 600,000 retiree and other beneficiaries aged 65 and over. In addition, another 100,000 of the generation members' parents who are entitled to cash benefits but do not receive them because they are still working are, however, enrolled for Medicare. This group, together with the parents aged 65 and over who do receive benefits, brings the number of the members' parents enrolled for Medicare to 700,000.

As more parents of social security generation members approach retirement, some 90 percent will be entitled to benefits on the basis of age and practically all will have the protection of Medi-

care. To the extent that retirement and health benefits from OASDHI make it possible for the aged to be economically independent of their children and younger relatives, today's young heads of families are spared the diversion of income from the education of their children to take care of their parents.

## PROGRAM IMPROVEMENTS AND LIMITATIONS

As many members of the social security generation appreciate, the 1968 OASDHI program of benefits is offering a far stronger system of protection than they themselves received in its earlier days. Today children of insured workers become eligible for benefits at birth. Generation members did not become eligible for benefits until they were 5 years old. At the time they were growing up the program covered the employment of only 60 percent of their parents, in contrast to the greater-than-90 percent coverage today.

The 1956 amendments first authorized benefits for disabled workers, and under that legislation for the first time child's benefits could be paid after age 18 for workers' children with a continuing childhood disability. Benefits for the dependents of disabled workers were added to the program when the generation members were past age 23. Nor did the members of this generation gain from the 1965 change in the law that continues child's benefits to young people aged 18-21 who remain in school.<sup>3</sup>

The program has been significantly improved in extending benefits to orphans, but it was not until the 1967 amendments that maternal orphans became eligible to receive benefits based on their mother's earnings record under the same conditions that paternal and full orphans qualify for benefits based on the earnings of their father.

But some program limitations continue. The most significant of these is the level of social security benefits. Congress has improved the benefit structure periodically during social security's first third of a century, specifically in 1950, 1952, 1954, 1958, 1965, and 1967. As a result,

TABLE 12.—Family benefits in force for the survivors of deceased workers born in 1935 and for disabled workers aged 33 and their dependents, January 1, 1968

Type of family	Number of families (in thousands)	Number of persons in family (in thousands)	Average monthly family benefit
Families of disabled workers.....	5.8	19.3	\$171.68
Disabled worker only.....	2.3	2.3	93.21
Men.....	1.8	1.8	93.08
Women.....	.6	.6	93.56
Disabled worker, wife and 1 or more children.....	2.4	13.3	239.20
Disabled worker and 1 or more children.....	1.0	3.6	197.67
Male worker.....	.5	1.9	231.78
Female worker.....	.5	1.7	165.47
Families of deceased workers.....	13.2	37.1	173.57
Widowed mother and 1 or more children <sup>1</sup> .....	5.1	19.7	215.36
Children only <sup>1</sup> .....	7.7	17.1	149.63
Male worker.....	6.2	13.8	160.15
Female worker.....	1.5	3.2	106.20
Parents only.....	.3	.3	78.29
Male worker.....	.3	.3	78.29
Female worker.....	0	0	-----

<sup>1</sup> Family may include 1 or more parents.

<sup>3</sup> Some younger brothers and sisters of generation members undoubtedly have benefited from this amendment. It is estimated that in the 1968-69 school year, 466,000 students aged 18-21 will receive \$479 million in benefits of this type.

benefits have done somewhat better than keep up with increases in prices, although they have lagged in relation to rising wages. A beneficiary who came on the rolls in 1940 with a benefit equal to the average for that year and who is still drawing benefits—a possibility for a grandfather of a generation member—now receives a benefit with purchasing power about 23 percent greater than that of his first benefit check.

Such improvements have contributed to the success of the social security program in keeping out of poverty today an estimated 10 million individuals whose income without their social security benefits would be below the poverty line. But over this span of years since 1940, real per capita disposable personal income—that is, the average purchasing power of the entire population after payment of personal taxes—increased by 90 percent. From December 1957 through March 1968, disability benefits have increased 7 percent on the average in purchasing power while spendable earnings (in constant dollars) have increased 20 percent.

Another limitation is the maximum family payment, a ceiling on the monthly benefits any family can receive. In relation to average yearly earnings creditable for social security, maximum family benefits currently range from \$82.50 per month, when the yearly average earnings have been \$899 or less, to \$354.40 per month on a yearly average of \$5,400. The 1967 amendments provide that as the yearly average for workers increases in the future the maximum family payment can rise as high as \$434.40 per month (on a \$7,800 annual average). The ceiling on benefits could affect some families in the social security generation adversely since 25 percent of them have four or more children under age 18. In such a family, the death of the father would leave his widow and four children entitled to a benefit no larger than that received by a widow left with two children.

The requirement that disabled workers and their dependents wait 6 months after the onset of disability before becoming entitled to OASDHI benefits is another limitation of concern to young families. Studies by the Social Security Administration indicate that about 63 percent of the wage-and-salary employees in private industry would have some type of private or public income-maintenance protection during the 6-month interval. Besides the one-third who apparently have no

TABLE 13.—Projected deaths among persons born in 1935 who were living in the United States on January 1, 1968, by age and sex, 1968-2000

Year	Age in years	Estimated number of deaths among men		Estimated number of deaths among women	
		Number	Cumulative number	Number	Cumulative number
1968-1970	33-35	8,784	8,784	6,333	6,333
1971-1975	36-40	20,022	28,806	14,108	20,441
1976-1980	41-45	30,941	59,747	20,908	41,349
1981-1985	46-50	47,082	106,829	30,400	71,749
1986-1990	51-55	68,607	175,436	42,856	114,634
1991-1995	56-60	94,497	269,933	61,017	175,651
1996-2000	61-65	119,441	389,374	85,211	260,862

protection during the early months of disability, many young workers who become disabled do not seem to qualify for income protection over the long haul. Initial data from the 1966 survey of the disabled by the Social Security Administration indicate that among persons aged 18-34 who are severely disabled—that is, unable to work altogether or unable to work regularly—less than 30 percent were entitled to benefits from any public income-maintenance program.

#### Generation Members and the Future

The social security generation is not expected to exhibit any special tendency toward disability or death at a specific age but, like other generations, to show a trend that accelerates with the passing years.

In 1965, for example, the rate of disabled-worker benefit awards among men was as follows for the specified age groups:

Age	Rate per 1,000
35-39	1.6
40-44	2.4
45-49	3.7
50-64	6.2

Disability awards to women, starting from a much lower ratio, showed a similar progression with advancing age.

Table 13 sets forth projected deaths among generation members over the next 32 years. With some 70,000 generation members already deceased, the toll will top 118,000 by 1975 and will be 720,000 by the year 2000 when generation members reach age 65.

These patterns of increasing prevalence of disability and growth in the proportion of deaths will accelerate the growth in the number of

awards to survivors and to dependents of disabled workers. About two-thirds of the generation's population can expect to survive until age 65. If present trends continue, many will elect to exercise options for early retirement with reduced benefits before that age. By the year 2000 surviving members will be old enough to qualify for full retirement and health insurance benefits.

## CONCLUSIONS

One-third of a century has elapsed since the Social Security Act of 1935 laid the "cornerstone" for the Nation's social insurance system. Far from undermining national institutions, the program has made significant contributions toward strengthening those institutions.

More children are spending more years in school, in part because OASDHI benefits are available to maintain family income even when

a breadwinner dies, is disabled, or retires. Because more young people are entering the labor force with added years of educational preparation, more of them are able to move into higher-paying professional and technical occupations at an earlier age than older generations did. Marriage and family life of generation members have been marked by the desire to have children early. With retirement benefits available to increasing proportions of the aged population and with the availability of the health insurance program, the economic independence of the aged has been enhanced. This condition "frees young families to devote a greater proportion of their income resources to their own needs."

As for the limitations, these are part of the continuing challenge that has confronted the program since its creation—a challenge best met by remembering the admonition of President Roosevelt: OASDHI "is a structure by no means complete."

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## Notes and Brief Reports

### Personal Health Care Expenditures of the Aged and Nonaged\*

In response to increased interest in the amounts spent for health care at certain ages, estimates of personal health care expenditures in the fiscal years 1966 and 1967 are presented here for two broad age groups—persons under age 65 and those aged 65 and over. For both groups, data on sources of funds and type of expenditures are given here.<sup>1</sup>

In the fiscal year 1967, personal health care expenditures amounted to \$41.5 billion, representing an annual per capita expenditure of approximately \$206. Personal health care expenditures

include all expenditures for health and medical care services received by individuals. Excluded are expenditures for medical-facilities construction, medical research, public health activities not of direct benefit to individuals (that is, disease prevention and control), and some expenses of philanthropic organizations. The data also exclude the net cost of insurance (the difference between health insurance premiums and benefits paid), as well as administrative expenses of several public programs. Nonpersonal health care expenditures of \$6.4 billion, in 1967, brought the total spent for all health purposes to \$47.9 billion.

#### Aggregate and Per Capita Expenditures

The distribution of personal health care expenditures by the two age groups (under age 65 and aged 65 and over) reveals considerable relative difference in the amounts spent. These differences reflect the higher incidence of illness and the greater use of medical care services for the aged.

Of the total amount spent in the fiscal year 1967 for personal health care, more than one-fifth

\*Prepared by Dorothy P. Rice, Arne Anderson, and Barbara S. Cooper, Division of Health Insurance Studies.

<sup>1</sup> For detailed data on personal health care expenditures, see Ida C. Merriam, "Social Welfare Expenditures, 1929-67," *Social Security Bulletin*, December 1967, table 5, page 15. For revised estimates, see Barbara Cooper, *Revised Public and Private Expenditures for Health and Medical Care, Fiscal Years 1960-67*, Research and Statistics Note No. 7, 1968.