

# Railroad Workers With Employment Covered by the Social Security Act

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*The Railroad Retirement Act provides for a degree of coordination between the railroad retirement program and old-age, survivors, and disability insurance. First, the railroad wage credits of workers who die or retire with less than 10 years of railroad employment are transferred to the program under the Social Security Act, and benefits are paid by that program. Second, through financial interchange provisions, the old-age and survivors insurance and the disability insurance trust funds are put in the same position in which they would have been if railroad employment after 1936 had been covered by the Social Security Act. The extent to which employees with railroad service in 1956 had employment covered by old-age and survivors insurance is reported in the following pages.*

EMPLOYEES may shift between work covered by the Railroad Retirement Act and that covered by the Social Security Act without loss of their protection under the latter act, which is based on combined earnings credits. A person who retires with less than 10 years (120 months) of railroad service, including service before 1937, is considered to have been covered under the Social Security Act for that part of his railroad service performed after 1936. His retirement benefits are payable under that act and are based on railroad service after 1936 combined with employment covered by the Social Security Act. Once an employee has had 10 years of railroad service, he has vested rights to a railroad retirement annuity based on all his railroad service. He may simultaneously receive, if he is qualified, benefits based on employment covered only by the Social Security Act.

Survivor benefits are paid by one agency only. The Railroad Retirement Board pays the benefits if the employee had at least 10 years of railroad service and a recent attachment to the railroad industry at the time of his death; otherwise, the claim is handled by the Social Security Administration.

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Costs are allocated between the two programs under a provision in the Railroad Retirement Act requiring a financial interchange between them that maintains the old-age and survivors insurance and the disability insurance trust funds in the same position they would have been in had railroad employment after 1936 been covered under the Social Security Act. The data in the following pages, which show the extent to which employees with railroad service in 1956 had work covered by old-age and survivors insurance, are a byproduct of the work done in connection with the financial interchange study covering the fiscal year 1956-57.

The movement of workers in and out of railroad employment in any particular period depends largely on labor supply, prevailing wage rates both in and outside the railroad industry, and related economic factors. With a decline in railroad employment, for example, but favorable employment conditions in other industries, laid-off railroad workers are usually able to get other jobs without difficulty. In a generally tight job market, however, many laid-off railroad workers have to wait until they are rehired by the railways. Consequently, any decline in overall manpower requirements is accompanied by a marked decline in the amount of jobchanging between the railroads and other industries.

The amount of concurrent railroad and other employment depends not

only on the condition of the labor market but also on the availability of part-time openings and on personal financial considerations. Many employees put in extra work on week-ends and evenings in order to better their financial position. Because of the extensive coverage of old-age, survivors, and disability insurance, it may be assumed that virtually all nonrailroad work currently performed by railroad employees is covered by that program.

From the sample used in the financial interchange calculations for the fiscal year 1956-57, data were developed to measure the extent of employment covered by the Social Security Act among railroad employees in various earnings, service, and age groups. The sample consisted of records for approximately 3,000 individuals, from a total of some 1.6 million persons who were in railroad service at some time in the calendar year 1956. The figures based on the sample are subject to the usual sampling errors, which increase relatively as the size of the figures decreases. Because of the small number of cases in certain segments of the sample, the corresponding estimates may not be statistically reliable.

For the purposes of the study, employment covered by old-age and survivors insurance was disregarded if the earnings were insufficient to produce at least 1 quarter of coverage. In addition, permanently insured status under that program was determined solely on the basis of earnings directly taxable under the Social Security Act.<sup>1</sup> In the actual situation, railroad earnings are creditable under the Social Security Act if the employee has had less than 10 years of railroad service or died with no

<sup>1</sup> To acquire permanently insured status under the Social Security Act, the worker must have a sufficient number of quarters of coverage to be fully insured, with no further quarters of coverage, upon attainment of age 65 for men and age 62 for women.

current attachment to the railroad industry.

The study yielded the following information:

Seventy percent of all employees with any railroad service in 1956 had acquired old-age and survivors insurance credits at some time in the 20 years 1937-56.

One-fourth of all 1956 railroad employees also earned old-age and survivors insurance credits in that year. Eight percent of the 12-month railroad employees in 1956 earned at least 1 quarter of old-age and survivors insurance coverage during the same year, in employment that was of a casual nature.

Four percent of the employees with 10 or more years of railroad service had acquired sufficient quarters of coverage under old-age and survivors insurance by the end of 1956 to obtain permanently insured status under the Social Security Act. These employees had met the service requirements under both programs.

#### Dual Employment in 1956

A total of 1,628,000 employees worked in the railroad industry at some time in 1956. This figure includes, in addition to regularly employed persons, temporary workers and others who, for various reasons, did not work in the industry in every month. The latter group consists of employees who entered or reentered the industry, those who were sick or unemployed for 1 or more months, and those who died or retired after some service in the year. The vast majority—94 percent—of the 1.6 million were men.

An estimated one-fourth (405,000) of the 1956 railroad employees also acquired old-age and survivors insurance credits in that year. There are several reasons that the group with dual coverage is so large. First, because of seasonal variations in railroad operations, particularly in outside maintenance work, many thousands of temporary workers are hired each year. Some of these temporary workers come from other industries and engage in railroad work for only a few months. Second, other workers rely on nonrailroad employment as the main source of income and perform railroad work on a part-time basis; similarly many regular members of the railroad labor force seek

outside work to supplement their income. Third, the dual-coverage group in any year includes a certain number of workers, primarily younger employees, who are changing jobs. Forty-four percent of the group with dual coverage in 1956 were new railroad employees (30 percent) or persons who had reentered the railroad industry after an absence of a year or more (14 percent).

Table 1 shows the number of workers who had earnings under both programs in 1956 and the percentage with specified taxable earnings under each program. There was, as would be expected, a heavy concentration of dual-coverage employees in the lower earnings brackets. The proportion of workers with earnings of less than \$1,000 under either system was virtually the same—one-half—and almost half of those with less than \$1,000 in railroad wages also had less than \$1,000 in wages taxable under the Social Security Act. Thirty-five percent of the dual-coverage employees had earned \$2,000 or more from railroad employment in 1956, and 27 percent had earned that much from employment covered by the Social Security Act. Of those dual-coverage workers who had received at least \$3,000 in taxable railroad compensation, more than 70 percent had incomes of less than \$1,000 from employment covered by the more general program.

About 82,000 of the 405,000 dual-coverage workers received credit for 12 months of railroad service during 1956. The size of this group, which represents nearly 8 percent of all 12-

month railroad employees in 1956, indicates the amount of secondary jobholding among regularly employed railroad workers. The outside work of regularly employed railroad workers was generally of a casual nature, as shown by the fact that almost 60 percent of these employees had earnings covered by old-age and survivors insurance that amounted to less than \$500 for the year and 75 percent had less than \$1,000. Ninety-seven percent of the 82,000 had earned as much as \$3,000 in taxable railroad earnings, but only about 6 percent had earned that much in employment covered by the Social Security Act.

Comparable data on the rate of multiple jobholding in the entire labor force are not available. A recent special survey conducted by the Bureau of the Census showed, however, that 5 percent of the Nation's labor force held more than one job during the week ended July 13, 1957. About 7 percent of all employed men but only 2.5 percent of the women had two or more jobs during the survey week.

#### OASI Credits, 1937-56

More than 70 percent of all workers with railroad employment during 1956 had acquired credits under the Social Security Act at some time or other in the 20 years 1937-56 (table 2). This percentage is expected to increase for some years—partly because the future railroad labor force will have had a longer period of time in which to acquire such credits. In addition, coverage of the more general program has been considerably expanded since

Table 1.—Number of railroad employees with both railroad and OASI covered employment in 1956,<sup>1</sup> and percentage distribution by amount of taxable earnings under each program <sup>2</sup>

Taxable railroad earnings	Total		Percentage distribution by amount of taxable OASI earnings			
	Number (in thousands)	Percent	Total	Less than \$1,000	\$1,000-1,999	\$2,000 or more
Total.....	405	100	100	49	24	27
Less than \$1,000.....	199	49	100	42	20	37
\$1,000-1,999.....	65	16	100	42	38	20
\$2,000-2,999.....	47	12	100	44	37	19
\$3,000-3,999.....	46	11	100	69	17	13
\$4,000 or more.....	48	12	100	75	13	11

<sup>1</sup> At least 1 month of railroad service and at least 1 quarter of coverage under old-age and survivors insurance.

<sup>2</sup> Data based on special sample of 2,972 employees.

Certain figures may not be statistically reliable because of size of sample; detailed figures may not add to totals because of rounding.

1937, when operations first started; about 90 percent of the working population is now covered, compared with approximately 60 percent in the early years.

**Year of entry and pattern of service.**—Since both programs are only slightly more than 20 years old, the proportion of dual-coverage workers naturally varies with the year of their entry into railroad service. Table 2 shows the extent of employment under old-age and survivors insurance among 1956 railroad employees according to the year of entry into and the pattern of railroad service. Only one-fourth of those who began railroad service before 1937 had earned any old-age and survivors insurance credits by the end of 1956; all their credits under that program were earned after they had begun railroad service. Since seniority generally determines the order in which railroad workers are laid off, those who entered railroad service many years ago have been least affected by temporary reductions in force during 1937-56. In contrast, about 80 per-

**Table 3.—Railroad employees in 1956, by age, and percentage distribution by insured status under OASI based only on employment covered by OASI, through December 1956<sup>1</sup>**

Age on birthday in 1956	Number (in thousands) <sup>2</sup>	Percentage distribution of 1956 employees <sup>3</sup>								
		Total	With no OASI credits	Permanently insured <sup>4</sup>	With some OASI credits but needing specified number of quarters of coverage for permanently insured status					
					1-4	5-8	9-12	13-16	17-20	21-39
Total.....	<sup>5</sup> 1,628	100	28	7	3	4	4	5	6	43
Under 35.....	520	100	6	3	3	3	3	5	7	70
35-44.....	348	100	12	10	3	3	5	7	7	53
45-54.....	346	100	36	9	3	4	5	4	6	33
55 and over.....	412	100	67	9	3	5	2	3	3	7

<sup>1</sup> Certain figures may not be statistically reliable because of size of sample; detailed figures may not add to totals because of rounding.  
<sup>2</sup> Based on 4-percent sample.  
<sup>3</sup> Based on special sample of 2,972 employees.  
<sup>4</sup> Permanently insured status under Social Security Act (sufficient quarters of coverage credited

to make the individual fully insured, without further quarters of coverage, on attainment of age 65 for men and age 62 for women), determined on basis of credits acquired in 1937-56, disregarding disability freeze provisions.  
<sup>5</sup> Includes a small number whose age was not reported.

cent of those who entered railroad work in 1937-41 and substantially more than 90 percent of those who began after 1941 had acquired credits under the program established by the Social Security Act.

A much smaller proportion of the 1956 employees with continuous rail-

road service than of those whose service was noncontinuous had earned credits under old-age and survivors insurance—66 percent compared with 87 percent. (For service to be continuous, the employee must have had railroad work in every year beginning with the year of entry.) In both these groups, however, the employees who had acquired old-age and survivors insurance credits had, on the average, about 16 quarters of coverage under that program. Among the employees with some credits, those in continuous service had acquired most of their credits before they entered railroad employment, and the opposite was true for those whose railroad service was noncontinuous.

**Age and insured status under old-age and survivors insurance.**—Data on dual coverage is more meaningful when it is related to the employees' ages and length of railroad service. As illustrated in tables 3 and 4, the proportion of 1956 railroad employees with no credits under old-age and survivors insurance increased with age and the length of railroad service. This finding is consistent with the data on railroad employees according to the year of entry into railroad service.

Of those railroad employees who by the end of 1956 had completed at least 10 years of railroad service, nearly half had no credits under the program established by the Social Security Act. The proportion with 10 or more years of service and no earnings covered by the Social Security

**Table 2.—Railroad employees in 1956, by year of entry into and pattern of railroad service and by extent of OASI coverage through December 1956<sup>1</sup>**

Year of entry into railroad service	Number (in thousands) <sup>2</sup>	Percentage distribution by quarters of OASI coverage <sup>3</sup>						Average number of quarters of OASI coverage acquired <sup>4,5</sup>					
		Total	None	All before railroad entry	All after railroad entry	Before and after railroad entry	Total	All before railroad entry	All after railroad entry	Before and after railroad entry			
										Total	Before	After	
All railroad employees in 1956, total.....	1,628	100	28	28	18	26	16	14	9	23	14	9	
Before 1937.....	468	100	76	24	9	9	9	9	9	17	8	9	
1937-41.....	254	100	22	18	34	26	12	8	10	17	8	9	
1942-46.....	368	100	9	34	11	46	18	11	11	25	13	12	
1947-51.....	207	100	4	30	13	53	20	16	7	25	16	9	
1952-56.....	331	100	5	63	7	24	18	17	4	22	18	4	
With continuous railroad service, <sup>5</sup> total.....	1,184	100	34	33	12	21	16	15	7	23	17	6	
Before 1937.....	423	100	79	21	8	8	8	8	8	10	10	6	
1937-41.....	96	100	26	22	25	27	10	8	6	16	10	6	
1942-46.....	223	100	13	46	4	37	16	11	6	23	16	7	
1947-51.....	135	100	2	39	6	53	21	18	8	25	19	6	
1952-56.....	307	100	6	68	5	21	18	17	3	23	20	3	
With noncontinuous railroad service, total.....	444	100	13	13	33	41	17	9	11	24	10	14	
Before 1937.....	45	100	47	53	11	11	11	11	11	19	6	13	
1937-41.....	159	100	18	15	42	25	13	7	13	19	6	13	
1942-46.....	145	100	2	13	21	63	21	11	13	26	10	16	
1947-51.....	71	100	7	15	24	54	17	9	7	25	12	13	
1952-56.....	24	100	3	15	28	54	13	6	6	18	11	7	

<sup>1</sup> Certain figures may not be statistically reliable because of size of sample; detailed figures may not add to totals because of rounding.  
<sup>2</sup> Based on 4-percent sample.  
<sup>3</sup> Based on special sample of 2,972 employees.

<sup>4</sup> Average number of quarters per employee in corresponding segment of sample.  
<sup>5</sup> Railroad service in every year after 1936 or year of entry, whichever is later.

Act rose from about 10 percent for those under age 35 to about 70 percent for those aged 55 and older. The latter age group was composed mainly of career railroad workers. In contrast, only about 5 percent of the employees with less than 10 years of railroad service had no old-age and survivors insurance credits. (A "year of railroad service" is defined as an accumulation of 12 months of service. "Ten years or more" means at least 120 months of service. A "month of railroad service" is any month for which compensation is paid.)

Eighty-three percent of the employees with 30 or more years of railroad service had no old-age and survivors insurance credits, and only 2 percent had sufficient quarters of coverage to be permanently insured under that program (table 4). Of the group with less than 5 years of railroad service, only 5 percent had no old-age and survivors insurance credits, but 12 percent had already performed enough work covered by that program to be permanently insured.

Some 7 percent of the railroad employees in 1956 already had sufficient quarters of coverage from employment under old-age and survivors insurance to be permanently insured. For employees with 10 or more years of railroad service the corresponding proportion was 4 percent, and for those with less than 10 years it was 11 percent. Permanently insured status was determined on the basis of credits acquired during 1937-56, with the disability freeze provisions of the Social Security Act disregarded.

An indication of the additional amount of employment needed for permanently insured status under the Social Security Act by employees in the various age groups is given in table 3. Approximately 10 percent of all 1956 railroad employees had some credits and needed 12 or fewer quarters of coverage to be permanently insured, and almost 45 percent needed

more than 20 additional quarters of coverage. Most of these employees had not yet reached retirement age. Other employees, of course, met the age requirement but lacked the required number of quarters of coverage for fully insured status.

### Requirements Met for Benefits Under Both Programs

Those employees with 10 or more years of creditable railroad service who are also permanently insured under the Social Security Act on the basis of employment covered by that act already have the service requirements for retirement benefits under both programs. For those who retire with less than 10 years of railroad service, service after 1936 is treated as though it had been covered by the Social Security Act, and any retirement benefits due are paid by the Social Security Administration.

Of the 1.6 million railroad employees in 1956, a total of 928,000 or 57 percent had at least 10 years (120 months) of railroad service, including service before 1937, by the end of the year. These employees had already met the service requirements for a railroad retirement annuity. Approximately 118,000—7 percent of all 1956 railroad employees—had acquired sufficient quarters of coverage by the end of 1956 for permanently insured status under the Social Security Act. About 37,000 railroad employees, 4 percent of the total number with 10 or more years of railroad service, had sufficient wage credits to qualify for benefit under both programs.

Table 4.—Railroad employees in 1956, by completed years of railroad service<sup>1</sup> and by quarters of coverage under OASI through December 1956<sup>2</sup>

Completed years of railroad service	Number (in thousands) <sup>3</sup>	Percentage distribution of 1956 employees <sup>4</sup>					
		Total	With no quarters of OASI coverage	Permanently insured <sup>5</sup>	With specified number of quarters of OASI coverage		
					Less than 6	6-19	20-39
Total..	1,628	100	28	7	20	28	16
30 and over...	314	100	83	2	11	3	1
20-29....	139	100	63	2	22	11	2
10-19....	476	100	17	6	26	34	16
5-9.....	228	100	8	10	17	37	29
Under 5..	471	100	5	12	19	39	25

<sup>1</sup> A completed year of service represents railroad employment, including employment before 1937, in 12-23 calendar months; 2 completed years, 24-35 months; and so on.

<sup>2</sup> Certain figures may not be statistically reliable because of size of sample; detailed figures may not add to totals because of rounding.

<sup>3</sup> Based on 4-percent sample.

<sup>4</sup> Based on special sample of 2,972 employees.

<sup>5</sup> Permanently insured status under Social Security Act (sufficient quarters of coverage credited to make the individual fully insured, without further quarters of coverage, on attainment of age 65 for men and age 62 for women) determined on basis of credits acquired in 1937-56, disregarding disability freeze provisions.