

OLD-AGE INSURANCE: COVERED WORKERS AND AVERAGE AND MEDIAN TAXABLE WAGES IN 1937

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IN 1937 a total of approximately 32 million persons in employments covered by the Federal old-age insurance system received taxable wages in the amount of \$29.1 billion. Tabulations now available include reports posted by July 9, 1938, comprising data for 30.5 million employees, or about 96 percent of the estimated total of 32 million, and \$26.9 billion, or about 93 percent of the total reported wages. The significance of the number of employees in employment covered by old-age insurance can be brought out more plainly by comparison with the volume of old-age insurance account numbers issued through 1937 and with the total gainfully occupied population in that year.

Through December 31, 1937, a cumulative total of 36.7 million account numbers had been assigned. The 30.5 million wage earners covered by the tabulation account for 83.1 percent of this total, and the estimated total of 32 million employees for 87.2 percent. The actual proportion of account holders who received wages in covered employment, however, was somewhat higher, since the total of account numbers includes those issued to applicants who became 65 or died after they obtained their account numbers but before the beginning of 1937 and hence could not have received taxable wages during that year. Account numbers also have been issued to persons 65 and over for use in connection with State unemployment compensation systems and for other reasons, though they were ineligible to participate in the old-age insurance system. It is evident, therefore, that comparatively few persons who did not have a good chance of finding some employment in covered industry had applied for account numbers by the end of 1937. This fact is probably connected with the upward trend in business

activity and employment during most of 1937.

It may be anticipated that compilation of 1938 wage reports will show that a relatively smaller proportion of account-number holders received taxable wages. During this year nearly 6 million additional account numbers were assigned. Persons reaching the age of 65 during that year dropped out of coverage, but for every person reaching age 65, it is estimated by the Bureau of Old-Age Insurance, three young people seeking to establish themselves in covered employment obtained account numbers. Finally, a recession in business reduced the number of jobs available and at the same time may have stimulated applications for account numbers from adults who had been employed normally outside of covered industry or not employed at all.

The number of wage earners in covered employment in 1937 may be compared with the estimate from the 1937 Census of Partial Employment, Unemployment and Occupations of the number of persons who were "employed or available for employment"¹ when this census was made in November 1937. On the complete returns for the enumerative check areas in each State, obtained to complement the original voluntary reports, it was estimated that there were 54.5 million employable persons in the ages 15-74.² This figure can best be compared with the total of 32 million recipients of taxable wages by adjusting both to apply to ages 15-64. If this is done, the number of persons in covered employment was approximately 60 percent of the total number of employables. The remainder would include persons engaged only in occupations not covered by old-age insurance, employable persons aged 65-74, and a substantial number of persons who were unemployed or were working on relief projects.

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¹ The term "total employables" is used subsequently in this article for the sake of brevity. The definition used in the 1937 enumeration is comparable in general to the definition of "gainful workers" used in the census of 1930.

² Census of Partial Employment, Unemployment and Occupations: 1937, *Final Report on Total and Partial Unemployment*, Vol. IV, p. 20.

Average and Median Taxable Wages in 1937

The average amount of taxable wages per employee shown by the Social Security Board's tabulation for 1937 is \$890.³ If the total reported taxable earnings of \$29.1 billion are divided by the estimated total of 32 million employees, the average is slightly higher—\$910. These figures, of course, are below the average total income of the workers concerned, since earnings other than wages from employment covered by the old-age insurance system are not reportable, and since, even in types of employment covered by the act, wages in excess of \$3,000 received in the service of any one employer and for employment after age 65 are not included.

An approach to the actual average of total earnings in covered employment in 1937 can be made by using estimates of the National Income Section of the Bureau of Foreign and Domestic Commerce, which place the total wages and salaries received in the United States in 1937 at \$42.8 billion.⁴ Segregation of the items in this total which relate to covered occupations provides an estimate for the latter of approximately \$31.2 billion. This amount exceeds the total taxable wages reported for 1937 by approximately \$2.1 billion, not quite 7 percent of the larger figure. Data are not available to indicate to just what extent this discrepancy is to be attributed to the exclusion from taxable wages of amounts in excess of \$3,000 and wages paid to persons aged 65 and over. The amount of taxable wages also includes some payments in excess of \$3,000, which are taxable when received from more than one employer. These represent, however, only a very small percentage of the total. The estimated \$31.2 billion for all wages and salaries in covered occupations in 1937 would represent an average of \$975 per capita for the estimated 32 million workers.

The median amount of taxable wages reported for 1937, as shown by the present tabulation, was \$723, or substantially less than the average of \$890. The fact that a median is much smaller than the corresponding average means that the

individual items tend to concentrate toward the lower end of the series. From the distribution by uniform intervals of earnings, shown in table 1, it appears that 39 percent of the total number of workers had less than \$500 in reported taxable wages, 63 percent less than \$1,000, 80 percent less than \$1,500, 91 percent less than \$2,000, 95 percent less than \$2,500, and 97 percent less than \$3,000.

The largest group in any interval, in fact, is that of the workers whose taxable earnings amounted

Table 1.—Old-age insurance: Total number of employees and total taxable wages, with percentage distributions, by intervals of earnings, United States, 1937¹

[Data are preliminary and subject to revision; corrected to Mar. 25, 1939]

Interval of earnings	Employees		Reported taxable wages	
	Number	Percent of total	Amount	Percent of total
Total ¹	30,157,604	100.0	\$26,825,360,241	100.0
\$1-\$100.....	11,650,520	38.6	2,213,313,362	8.2
\$1-\$50.....	4,412,000	14.6	170,762,310	.6
\$50-\$100.....	2,248,061	7.5	330,018,345	1.2
\$100-\$200.....	1,801,091	6.0	448,532,200	1.7
\$200-\$300.....	1,642,580	5.4	572,185,442	2.1
\$300-\$400.....	1,515,237	5.1	603,815,050	2.6
\$500-\$999.....	7,328,788	24.3	5,433,074,014	20.3
\$500-\$500.....	1,521,163	5.1	834,116,791	3.1
\$500-\$600.....	1,530,184	5.1	907,407,708	3.7
\$600-\$700.....	1,538,485	5.1	1,152,841,818	4.3
\$700-\$800.....	1,393,002	4.6	1,182,686,480	4.4
\$800-\$999.....	1,335,004	4.4	1,265,002,141	4.8
\$1,000-\$1,499.....	5,272,263	17.5	6,484,142,514	24.2
\$1,000-\$1,000.....	1,230,327	4.1	1,209,440,408	4.9
\$1,000-\$1,100.....	1,109,722	3.7	1,270,258,025	4.7
\$1,200-\$1,200.....	1,075,405	3.6	1,341,119,951	5.0
\$1,300-\$1,300.....	984,382	3.3	1,325,083,710	4.9
\$1,400-\$1,499.....	863,427	2.8	1,250,239,541	4.7
\$1,500-\$1,999.....	3,087,185	10.2	5,306,682,731	19.8
\$1,500-\$1,500.....	820,090	2.7	1,279,343,740	4.8
\$1,500-\$1,600.....	683,650	2.3	1,126,802,389	4.2
\$1,700-\$1,700.....	583,298	1.9	1,025,504,475	3.8
\$1,800-\$1,800.....	560,605	1.9	1,032,404,353	3.9
\$1,900-\$1,999.....	432,633	1.4	842,447,774	3.1
\$2,000-\$2,499.....	1,334,475	4.4	2,958,638,213	11.0
\$2,000-\$2,000.....	370,809	1.3	772,281,375	2.9
\$2,100-\$2,100.....	307,425	1.0	650,618,697	2.5
\$2,200-\$2,200.....	240,807	.8	504,563,611	2.1
\$2,300-\$2,300.....	210,822	.7	495,054,271	1.8
\$2,400-\$2,499.....	192,522	.6	470,120,259	1.7
\$2,500-\$2,999.....	604,891	2.0	1,647,115,003	6.1
\$2,500-\$2,500.....	151,461	.5	385,728,833	1.4
\$2,600-\$2,600.....	141,488	.5	373,605,293	1.4
\$2,700-\$2,700.....	112,156	.4	307,799,392	1.2
\$2,800-\$2,800.....	97,293	.3	277,020,440	1.0
\$2,900-\$2,999.....	102,496	.3	302,052,045	1.1
\$3,000 and over.....	870,560	3.0	2,780,398,574	10.4

¹ Compilation based on wage items posted by July 9, 1938, relating to 93 percent of total taxable wages reported for 1937 and 96 percent of estimated total number of employees receiving such wages in 1937. These reports comprised \$26.9 billion in taxable wages paid to 30.5 million employees. Of these numbers there are here excluded further 77,632 employees holding railroad retirement account numbers, and their taxable wages of \$17,472,692, and 267,085 employees whose sex or race is unknown, and their taxable wages of \$40,740,243. These represent 1.1 percent of the total number of employees and 0.2 percent of the total taxable wages.

³ This average is based on totals which exclude employees holding railroad retirement account numbers and employees whose age, sex, or race is unknown.

⁴ U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce, *Income in the United States, 1929-37*, p. 37 (table 15).

to less than \$100. There were 4.4 million of these persons, accounting for nearly 15 percent of the total number covered by the tabulation. Persons earning less than \$200 in taxable wages numbered about 6.7 million, and those earning less than \$300 approximately 8.5 million; while those whose taxable wages were under \$400 and under \$500 amounted to about 10.1 and 11.7 million, respectively. The accompanying chart, showing employees and wages by intervals of earnings, illustrates this distribution.

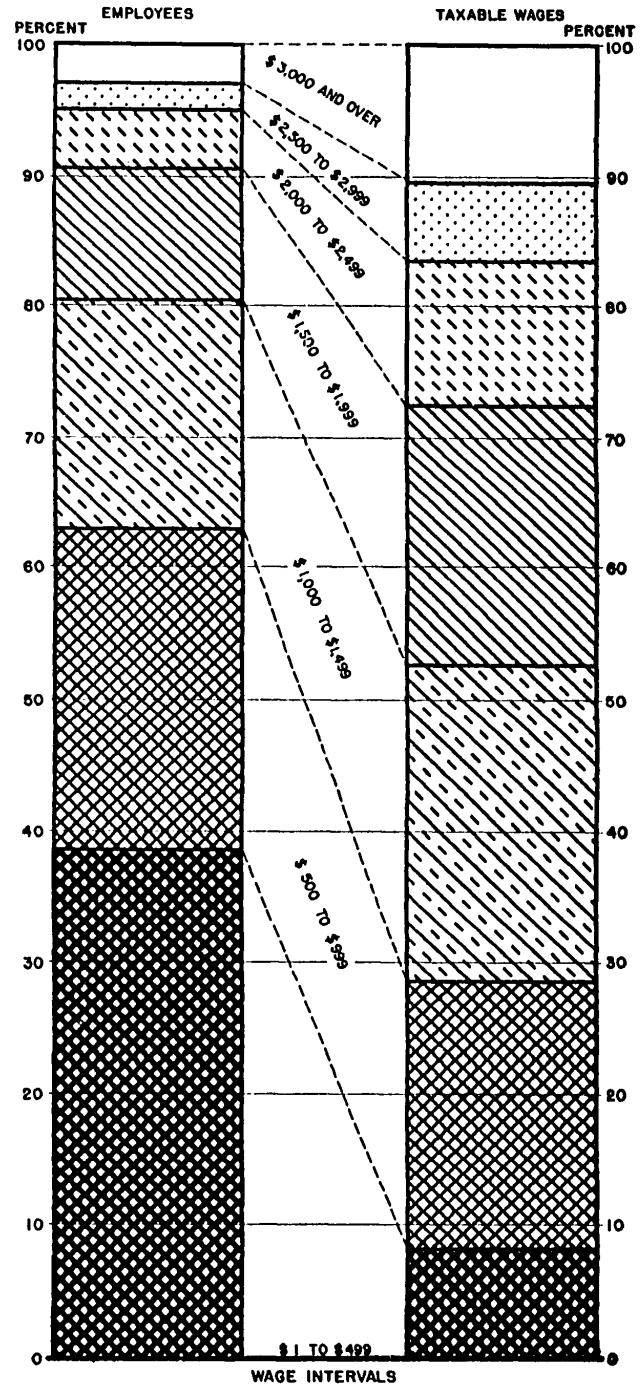
These figures, taken in conjunction with the exclusion from taxable wages of all payments for service in noncovered occupations, make it plain that a substantial proportion of the workers accounted for by the tabulation must have had less than full-time employment, in any sense of the term, in covered employment in 1937 and that the figures given for average wages do not reflect earnings in full-time employment.

The persons who worked in covered occupations on a part-time basis, in the broadest sense of that term, include two groups of special importance from the standpoint of the present analysis. These are, first, the employees who received the greater part of their earnings in noncovered occupations, and, second, those whose earnings were mainly in covered employment but who were employed only at certain seasons or intermittently. The latter group is divided, in turn, into two classes. The first consists of housewives, students, and others who had no gainful employment for the greater part of their time, and the second of persons who were partly unemployed because of inability to find jobs. Finally, there are the persons who were engaged more or less continuously in covered employment but who worked for less than some standard number of hours per day or days per week.

There is at present no definite evidence as to the number of part-time employees in covered employment in 1937 who belong in any of these groups. The number of those who received the greater part of their total earnings in noncovered occupations, plus those who had only seasonal or intermittent employment, may not have differed greatly from the 8.5 to 11.7 million persons whose taxable wages amounted to less than \$300 to \$500. The extent to which these amounts may be taken to represent part-time or

intermittent work varies, according to prevailing wage rates, for different parts of the country.

Chart I.—Percentage distribution of all employees and their total taxable wages, by intervals of earnings, United States, 1937¹



¹ See footnote 1, table 1.

Table 2.—Old-age insurance: Average and median taxable wages per employee and percentage distribution of total employees by intervals of earnings, by States, 1937¹

State and division	Reported taxable wages per employee		Percentage distribution of total employees by interval of earnings						
	Average	Median	\$1-\$499	\$500-\$999	\$1,000-\$1,499	\$1,500-\$1,999	\$2,000-\$2,499	\$2,500-\$2,999	\$3,000 and over
Total.....	\$800	\$723	38.6	24.3	17.5	10.2	4.4	2.0	3.0
New England.....	902	769	33.5	29.0	19.0	9.4	3.8	1.8	2.8
Maine.....	662	514	40.3	27.4	14.0	5.2	1.8	.9	1.4
New Hampshire.....	745	648	40.6	31.5	17.4	6.2	2.1	1.0	1.2
Vermont.....	735	602	44.3	27.6	15.0	7.1	2.5	1.2	1.4
Massachusetts.....	933	787	32.2	20.9	18.9	9.9	4.2	2.0	2.9
Rhode Island.....	873	741	32.6	34.4	17.6	8.2	3.2	1.6	2.4
Connecticut.....	991	883	27.8	29.0	22.3	11.4	4.5	2.1	2.9
Middle Atlantic.....	1,013	802	31.3	25.4	19.9	11.4	5.3	2.6	4.1
New York.....	1,042	866	31.2	25.1	18.8	11.4	5.5	3.0	5.0
New Jersey.....	993	833	31.9	26.0	19.5	11.4	5.3	2.5	3.4
Pennsylvania.....	978	868	31.0	25.6	21.8	11.0	4.0	2.2	2.9
East North Central.....	1,020	908	31.2	23.0	20.0	13.8	5.5	2.4	3.3
Ohio.....	1,025	923	30.2	23.5	21.7	13.5	5.5	2.4	3.2
Indiana.....	907	783	36.5	23.5	20.1	11.2	4.6	1.8	2.3
Illinois.....	1,020	879	31.4	24.3	19.0	11.8	5.8	2.8	4.0
Michigan.....	1,102	1,059	27.9	10.5	22.3	18.0	6.1	2.5	2.8
Wisconsin.....	928	811	35.2	23.0	20.0	12.3	4.6	1.8	2.5
West North Central.....	778	600	44.9	23.9	15.0	8.2	3.4	1.4	2.3
Minnesota.....	845	686	41.0	23.0	17.5	9.9	3.7	1.6	2.7
Iowa.....	725	544	47.7	23.7	15.6	7.1	2.9	1.2	1.8
Missouri.....	835	674	40.5	26.3	16.6	8.4	3.6	1.7	2.9
North Dakota.....	612	384	56.2	20.7	12.0	5.9	2.6	1.1	1.5
South Dakota.....	620	375	50.3	19.5	12.4	6.3	3.0	1.2	1.3
Nebraska.....	689	477	51.1	22.3	14.3	6.3	2.7	1.3	2.0
Kansas.....	702	480	51.0	20.7	14.2	8.1	3.2	1.2	1.6
South Atlantic.....	671	492	51.0	25.8	11.8	5.7	2.6	1.2	1.9
Delaware.....	870	672	42.5	21.6	17.2	8.5	3.9	2.1	4.2
Maryland.....	835	671	40.9	25.5	16.7	8.8	3.9	1.8	2.4
District of Columbia.....	891	679	40.7	24.7	14.8	8.7	4.7	2.6	3.8
Virginia.....	683	483	51.0	26.3	12.2	5.5	2.3	1.0	1.7
West Virginia.....	905	832	34.1	24.4	23.6	10.8	3.8	1.5	1.8
North Carolina.....	576	465	52.4	32.5	8.0	3.2	1.5	.6	1.2
South Carolina.....	518	399	57.1	29.8	7.8	2.6	1.2	.6	.9
Georgia.....	562	381	58.3	25.5	8.1	3.7	1.8	.9	1.7
Florida.....	523	284	64.7	19.0	8.0	4.0	1.9	.9	1.5
East South Central.....	603	420	55.0	25.1	10.9	4.7	1.9	.9	1.5
Kentucky.....	682	525	48.6	25.7	15.0	5.8	2.3	1.0	1.6
Tennessee.....	608	427	54.6	25.8	10.6	4.6	1.9	.9	1.6
Alabama.....	615	458	52.7	28.0	10.4	4.7	2.0	.9	1.3
Mississippi.....	413	200	72.7	16.6	5.3	2.7	1.2	.5	1.0
West South Central.....	676	410	54.8	20.1	10.5	7.7	3.4	1.4	2.1
Arkansas.....	520	313	62.7	21.8	7.6	4.3	1.7	.7	1.2
Louisiana.....	639	396	56.3	21.9	9.5	6.0	3.0	1.2	2.1
Oklahoma.....	761	497	50.1	18.7	12.4	10.8	4.0	1.6	2.4
Texas.....	688	413	54.5	10.5	10.7	7.9	3.6	1.5	2.3
Mountain.....	754	524	48.9	20.4	14.3	9.2	3.9	1.4	1.9
Montana.....	852	643	43.6	20.3	14.8	12.2	5.0	2.0	2.1
Idaho.....	645	401	55.0	19.8	12.7	7.5	3.1	.9	1.0
Wyoming.....	782	536	48.4	18.2	14.7	11.0	4.7	1.4	1.6
Colorado.....	747	538	48.1	21.8	15.4	7.9	3.3	1.4	2.1
New Mexico.....	677	417	54.3	10.6	12.0	7.9	3.4	1.2	1.6
Arizona.....	751	516	49.0	20.8	13.4	9.4	4.3	1.4	1.7
Utah.....	770	547	47.9	19.4	15.3	10.0	3.9	1.4	2.1
Nevada.....	853	623	44.5	20.3	14.0	11.3	6.0	1.7	2.2
Pacific.....	893	722	40.5	21.2	17.4	10.9	5.2	2.0	2.8
Washington.....	869	729	40.2	21.6	16.5	10.3	4.5	1.6	2.3
Oregon.....	799	639	43.7	22.6	17.6	9.1	3.7	1.4	1.9
California.....	912	734	40.2	20.9	16.9	11.3	5.5	2.2	3.0
Alaska.....	846	569	46.5	20.3	12.8	9.9	6.1	2.4	2.0
Hawaii.....	535	282	63.2	10.7	8.4	3.9	1.8	1.0	2.0

¹ Compilation based on wage items posted by July 9, 1938, relating to 93 percent of total taxable wages reported for 1937 and 96 percent of estimated total number of employees receiving such wages in 1937. These reports comprised \$26.9 billion in taxable wages paid to 30.5 million employees.

Excludes from each State total employees holding railroad retirement account numbers and those whose sex or race is unknown. These aggregate 344,717 employees, or 1.1 percent of the total.

Average and Median Wages by States

Geographic distribution of the 1937 taxable wages reported for individuals is made according to the State in which a worker was employed during the period for which taxable wages were paid. There is a complication when employees received wages in two or more States, since the earnings tabulated were totals for the year. In the process of summarizing mechanically the wage items reported by different employers for such an employee, the plan adopted was to reproduce on the card the first change in the State code; all his wages were then tabulated under that State, and other States in which he worked subsequently were disregarded.

The average taxable earnings per employee for individual States—which, as has been previously pointed out, are less than these workers' average total earnings—vary from a low of \$413 in Mississippi to a high of \$1,102 in Michigan. There is an evident tendency for this variation to correlate with such social and economic factors as the racial composition of the population, the degree of urbanization, and the relative importance of

manufacturing, of mining, or of the industries on the borderline of agriculture.

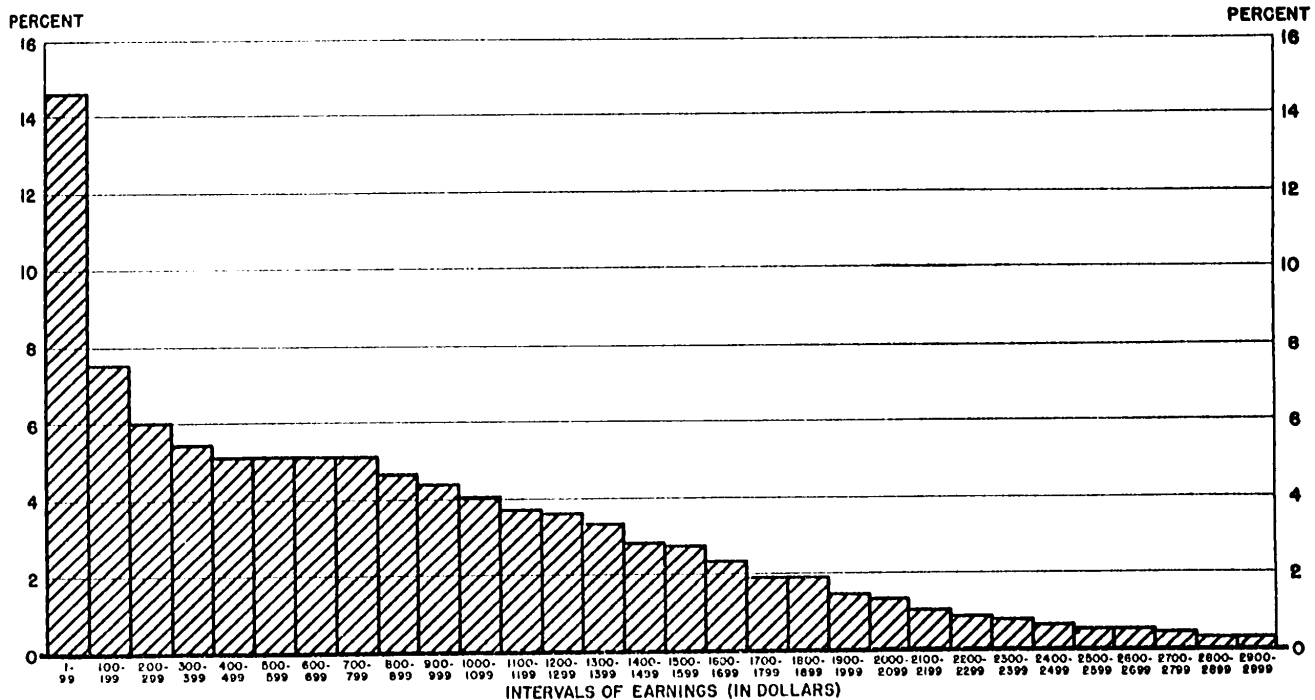
Average earnings per employee are highest in southern New England, the northern Middle Atlantic States, and the more industrialized part of the Middle West. All but 1 of the 11 States in these areas⁵ show average earnings above the general average for the country and in excess of \$900, and 7 show averages of more than \$950. Only 3 other States—West Virginia, California, and the District of Columbia—show averages higher than that for Rhode Island, the lowest of the 11.

The groups of States with the next highest average earnings are the southern Middle Atlantic and the Pacific.⁶ All but 1 of these 7 States show average earnings above \$800; and the average for Oregon, the single exception, is \$799. Of the remaining 33 States only 5 show averages above \$800. The Pacific States form an area with a substantial proportion of urban population, but one which is relatively more important for

⁵ Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Ohio, Indiana, Illinois, Michigan, and Wisconsin.

⁶ Delaware, District of Columbia, Maryland, West Virginia, Washington, Oregon, and California.

Chart II.—Percentage distribution, by intervals of earnings, of total employees¹ covered by old-age insurance, United States, 1937



¹ Excludes employees holding railroad retirement account numbers, those whose sex or race is unknown, and those earning \$3,000 or over. Those aggregate 1,224,277, or 4.0 percent of the total.

agriculture and less important for manufacturing than southern New England, the northern Middle Atlantic States, and the heart of the Middle West. The southern Middle Atlantic States are extensively industrialized, but they are on the border with respect to racial distribution.

Next come the groups of the Mountain States, of Texas and Oklahoma, and of northern New England.⁷ Of the 13 States in these areas only 2—Montana and Nevada—show average earnings in excess of \$800; and only 1—Idaho—an average of less than \$650. With the possible exception of New Hampshire, these are groups of States in which agriculture, including stock raising, is of great relative importance. The northern New England States are also important industrially, but they are little urbanized, and their averages for a year are affected by summer-resort employment, which, of course, is only seasonal. The western States which show the highest averages in these areas are important for mining or for oil production.

In the little urbanized or industrialized group of Prairie States, two—Kansas and Nebraska—show averages between \$705 and \$650, and two—the Dakotas—between \$650 and \$600. On the border between this group and the industrialized part of the Middle West are Missouri, Minnesota, and Iowa, which show intermediate averages between \$850 and \$700.

The remaining 11 States,⁸ in the Southeast, have high proportions of Negro workers. Of these States the 5 most industrialized and urbanized (Virginia, Kentucky, Tennessee, Alabama, and Louisiana) show average earnings of \$600 or more; 1—Mississippi—of less than \$500; and 5 between \$500 and \$600. Seven of these 11 Southeastern States show averages below those for all other jurisdictions except Hawaii. The relatively high average of \$846 for Alaska and the low one of \$535 for Hawaii are the results of highly specialized local conditions.

As in the case of the country as a whole, the median earnings for all the individual States are substantially lower than the corresponding aver-

ages, indicating that the tendency of the earnings of individuals to concentrate in the lower intervals is characteristic of all. The proportions falling below any given line of demarcation vary from State to State, but the variations tend to correlate with the differences in average earnings. This relationship is indicated in table 2, which shows, by States, the number of employees distributed by \$500 intervals of earnings, with the corresponding averages and medians. The 11 States with the lowest percentages of employees with reported wages of less than \$500 account for all the northern Middle Atlantic, the industrialized Middle Western, and the southern New England areas, which have the highest averages and medians. On the other hand, the 12 States with the highest percentages of employees in this earnings interval include 7 of the 11 in the Southeastern, and 2 of the 4 in the Prairie area, which have the lowest averages and medians. Similarly, 10 of the 12 States with the highest percentages of employees with reported wages of \$2,500–\$2,999 are in the northern Middle Atlantic, industrialized Middle Western, and southern New England areas; while 10 of the 14 with the lowest percentages in this interval are in the Southeastern area.

There is an occasional exception to this relationship between State average earnings and State distributions of employees by earnings. The District of Columbia—probably because it consists of a single city and because of conditions reflecting its position as the National Capital—has a larger percentage of its employees in the \$2,500–\$2,999 interval than its average earnings would suggest. The same, for different local reasons, is true of Alaska, and to a less marked extent of Delaware and Montana. In the case of Idaho the percentage of employees earning less than \$500 is high relative to the State average, while the percentage earning from \$2,500 to \$2,999 is low. The first of these peculiarities shows up also in the case of Texas, but the latter does not. West Virginia shows a low percentage of employees earning less than \$500 in proportion to its average, and Maine and New Hampshire relatively low percentages in the \$2,500–\$2,999 interval.

⁷ Montana, Idaho, Wyoming, Colorado, Utah, Nevada, New Mexico, Arizona, Texas, Oklahoma, Maine, New Hampshire, and Vermont.

⁸ Virginia, North Carolina, South Carolina, Georgia, Florida, Kentucky, Tennessee, Alabama, Mississippi, Louisiana, and Arkansas.