



BALLARD

The Role of Research and Statistics in the Development of Social Security

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Social security as we know it today has developed from a program for one segment of the population—namely, the aged—to one that affects nearly everyone. As the socioeconomic needs of the Nation changed so did the program. Since the program's beginning, the collecting and tabulating of

statistics, policy research, and legislative analysis have had an important role in determining the changes that would be necessary. This article examines the part played by research and statistics in the development of the Federal old-age benefit program into what is commonly referred to now as social security—the old-age, survivors, and disability insurance (OASDI) program. It provides a historical overview of research activities relevant to major OASDI program developments over the past 50 years.

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The Social Security research and statistics program is among the oldest governmental social science research programs in operation in the United States today. Its beginning can be traced to the original Social Security Act of 1935. Section 702 of the Act assigned to the Social Security Board the distinct function of "studying and making recommendations as to the most effective methods of providing economic security through social insurance, and as to legislation and matters of administrative policy concerning old-age pensions, unemployment compensation, accident compensation, and related subjects."

The inclusion of this provision as a part of the Act was not surprising since many of the founders of the social security program were drawn from the academic world and believed in the value of research and formal analysis as elements of policy development. This provision was significant for several reasons. It provided an agency of the executive branch with a legislative mandate for program research before this was generally done for other such agencies. This provision was also an affirmation by Congress that the system of benefits provided for in the Act did not complete the Federal role in providing for the economic security of the populace. It was generally agreed that changes in the social security program would be made gradually after some experience was gained in administering the program and after more was learned about the social and economic factors contributing to economic security. Further, section 702 made research an integral part of the legislative and policy process that would determine the changes that would be necessary. The idea of future change was reaffirmed by President Franklin D. Roosevelt when he signed the Social Security Act on August 14, 1935, and referred to it as "a cornerstone in a structure which is being built but is by no means complete."

This article examines the role of research in the development of the old-age, survivors, and disability insurance (OASDI) program. It provides a historical overview of research activities relevant to major OASDI program developments over the past 50 years. It is difficult to trace the uses and quantify the direct effect of research on resulting legislation. While some research may have been more illuminating, in the main, research provided policymakers with the information they needed to make choices about the future direction of the social security program.

Organization of the Research and Statistics Program

The Social Security Board moved expeditiously in establishing the Bureau of Research and Statistics and centralizing within it all research and statistics activities relating to programs authorized by the Act. The Bureau's function, as expressed in the budget justifica-

tion of April 1936, was the "maintenance of a research and analytical service adequate for the efficient administration of the law, the outlining of policies and the careful planning for the future needs of the nation in the matter of social security." By centralizing these activities, the administrators of the newly created program bureaus of Public Assistance, Unemployment Compensation, and Federal Old-Age Benefits could devote their time to establishing the programs rather than be concerned about research needs.¹ However, from the beginning the plan was eventually to assign to each of these bureaus responsibility for statistics of program operations and research directly related to each specific program.²

In 1937, the Analysis Division, later renamed the Division of Program Analysis, was established in the Bureau of Old-Age Insurance for that purpose.³ By 1941, statistical components had been established in each of the program bureaus. The Bureau of Research and Statistics then became responsible for the overall planning and coordination of research and for carrying out research in areas that went beyond the existing programs, research for new programs being proposed, and research that involved more than one program.

In 1949, the Bureau of Research and Statistics became the Division of Program Research within the Office of the Commissioner. By then, the Social Security Board had been abolished and replaced by the Social Security Administration, headed by a Commissioner. The Division's functions, however, remained essentially unchanged.

Social Security research continued on these two levels with the research component of the Bureau of Old-Age and Survivors Insurance responsible for developing operating statistics necessary to administer the social security program and for research related to program evaluation and policy formulation. All research related to long-range economic policy and forward planning continued at the Commissioner's level. In 1963, there was a major reorganization of the Social Security Administration. Responsibility for the public assistance programs, the child welfare program, and the Cuban refugee program was transferred to a newly created Welfare Administration. Responsibility for child health services was transferred back to the Public Health Service.⁴ The Social Security Administration continued to have responsibility for the OASDI program.

¹ Arthur J. Altmeyer, "The Formulative Years of Social Security," The University of Wisconsin Press, 1966.

² Ida C. Merriam, "Social Security Research: The Relation of Research and Policy Planning in a Government Agency," in *Journal of Social Policy*, Cambridge University Press, October 1972.

³ The Bureau of Old-Age Benefits was renamed the Bureau of Old-Age Insurance after the Supreme Court declared the Social Security Act constitutional. After the extension of benefits to survivors in 1939, it became the Bureau of Old-Age and Survivors Insurance.

⁴ Responsibility for unemployment insurance had been transferred to the Department of Labor in 1949.

The 1963 reorganization centralized research in the Division of Program Research, which became the Division of Research and Statistics. In 1965, the name of this component was changed to the Office of Research and Statistics (ORS). Today, it is the Office of Research, Statistics, and International Policy (ORSIP). Since 1965, several reorganizations within the Social Security Administration changed the placement of this component within the agency, but responsibility for the research and statistics program continued to reside in ORS.

In 1983, Social Security Administration research activities were realigned. At that time, about half of the staff was reassigned to the program offices to carry out studies related to specific programs and to give greater emphasis to issues of program administration. The agency's primary statistical functions, its policy research, and its legislative analysis functions continue to be housed in ORSIP.

Early Research

The Federal old-age benefit program as established by the Social Security Act of 1935 was limited in scope. It covered only workers in industry and commerce who were under age 65. Only those under age 65 were subject to social security taxes. Among those specifically excluded were domestic workers, agricultural workers, employees of nonprofit organizations, State and local government workers, Federal workers, and the self-employed. Contributions of 1 percent of wages up to \$3,000 were to be paid by both the employee and employer beginning January 1, 1937. These funds were to be held by the U.S. Treasury in an Old-Age Reserve Account for the payment of monthly benefits beginning January 1, 1942, to retired workers aged 65 or older. A lump sum equal to 3.5 percent of covered earnings was payable to workers or their estates if they reached age 65 or died before 1942.

From the beginning, the Social Security Administration's research and statistics program has been directed toward addressing administrative and policy questions such as how beneficiaries fare under current program provisions, what gaps exist in coverage and protection, what the program should be like in the future, what the interrelationships are between this program and other private and public programs, and what the impact of the program is on the overall economy.

One of the first issues confronting the new program was its constitutionality. The Bureau of Research and Statistics set to work immediately gathering the background data and preparing the analysis for a study that became the economic brief filed by the Justice Department with the U.S. Supreme Court along with its legal brief defending the constitutionality of the Social Security Act. Justice Cardoza, speaking for the Court's

majority, quoted from this study in the opinion handed down on May 24, 1937.⁵ In addressing the constitutionality of the old-age benefits provisions, Justice Cardoza stated:

Congress did not improvise in judgment when it found that the award of old age benefits would be conducive to the general welfare. . . . A great mass of evidence was brought together supporting the policy which finds expression in the act. . . . A recent study [**Economic Insecurity in Old Age**] of the Social Security Board informs us that "one-fifth of the aged in the United States were receiving old-age assistance, emergency relief, institutional care, employment under the works program, or some other form of aid from public or private funds; two-fifths to one-half were dependent on friends and relatives, one-eighth had some income from earnings; and possibly one-sixth had some savings or property. Approximately three out of four persons 65 or over were probably dependent wholly or partially on others for support." . . . The problem is plainly national in area and dimensions Only a power that is national can serve the interests of all.

The study discussed in detail the major social and economic factors contributing to dependency in old age. Data from many different sources were analyzed to determine the extent of dependency among persons who were aged 65 or older at the end of 1936. This age cohort was divided into two groups, self-dependent and dependent, based on their means of support.⁶ The study then traced the economic circumstances of workers in this age group during the 45 productive years they had to prepare for security in their later years, noting the difficulties and risks they encountered that threatened that security. It concluded with a discussion on future trends affecting dependency in old age. This was the first of many studies to provide a quantitative description of the economic status of the aged—a basic concern of Social Security.

Another major concern, early on, was devising a method for uniquely identifying and maintaining lifetime histories of the earnings of all employees who would ever be covered by the social security program. A collateral problem was devising a unique identifier for employers who would be submitting the wage reports. Although these two problems were primarily operational in nature, the Board even then recognized the potential for broad research made possible by the wealth of information contained in the record system being established. Research would be possible on employment, payrolls, annual and lifetime earnings in covered employment, and mortality among workers. The Social Security research offices and other governmental statistical organizations such as the Bureau of Labor Statis-

⁵ In the **Helvering v. Davis** case the old-age benefit (title II) and the employer payroll tax (title VIII) were upheld.

⁶ This section of the report was updated and published as an article. See Marjorie Shearon, "Economic Status of the Aged," **Social Security Bulletin**, March 1938, pages 5-16.

tics, the Central Statistical Board, and the Bureau of the Census were heavily involved in devising an identifier for employees and employers.⁷ The result of this inter-agency investigation and planning was the final form of the employee account number (the familiar nine-digit Social Security number), the employer identification number, and the information that would be contained on the application form for each number. The work during this early period laid the foundation for the later development of several statistical data systems.

In 1938, after the agency had gained a year's experience in paying lump sum claims, a special study was undertaken in the Division of Program Analysis. The study was made to ascertain the completeness of information provided on the forms used in the claims process and to determine the feasibility of deriving statistical data from these forms for studies of the characteristics of wage earners and other persons filing claims. This led to administrative changes in the claims process—more training for field staff and changes in the questions on the forms. From this study, information became available on birth rates for a time, 65 years earlier, when birth registrations generally were not complete. This information, coupled with the information available in death claims, formed the basis for actuarial estimates and long-range planning.

The first of many Advisory Councils was appointed in May 1937 by the Senate Committee on Finance and the Social Security Board. The Advisory Council, which consisted of representatives of employers, employees, and the public, was to study the advisability of making the following amendments to the Social Security Act:

- Begin payment of monthly benefits sooner than January 1, 1942.
- Increase the monthly benefit amount for those retiring in the early years of the program.
- Extend benefits to persons becoming incapacitated before age 65.
- Extend benefits to survivors of insured workers.
- Increase the payroll taxes less rapidly.
- Extend coverage to excluded groups.
- Study the size, character, and disposition of the reserves.

The Council also was to address any other questions concerning the Social Security Act posed by the special-appointed committee or the Social Security Board.

The issues under consideration by the Advisory Council had been the subject of ongoing debate by the general public and by social security experts. In January 1937, a concurrent resolution had been introduced in both Houses of Congress directing the Social Security

Board to report its recommendations to Congress by May 1 concerning abandoning the full reserve system and other changes regarding the old-age benefit and payroll tax provisions. It was at a hearing on this resolution that the Senate Finance Committee proposed the appointment of an advisory council. The Bureau of Research and Statistics carried out most of the staff work and provided much of the research material used by the Council in its deliberations.

A report, **Benefits for Disabled Persons and Survivors and Supplemental Allowances for Dependents**, prepared in the Bureau of Research and Statistics and presented in the Council's deliberations addressed two early issues: Extension of benefits to persons incapacitated before age 65 and extension of benefits to survivors of persons entitled to benefits. The report also addressed the issue of dependents' benefits, although this was not specifically included on the agenda of the Advisory Council. The report analyzed several approaches for modifying the old-age benefit program to provide the additional benefits. Also included was a cost analysis for a new benefit system that would pay:

- Disability benefits to insured persons permanently disabled before age 65.
- Benefits to survivors of insured workers who die before age 65.
- Benefits to survivors of old-age annuitants.
- Benefits to survivors of disability annuitants.
- Supplemental allowances for dependent spouses and children.

Widows had to be age 55, widowers age 65, and children under age 16, or age 18 if they attended school regularly. It was roughly estimated that, under this system of benefits, the annual expenditures would be 5.4 percent of payroll by 1955 and that reserves built up under the original taxing plans would be sufficient until 1960.⁸

The Bureau purchased the raw data file from the Works Progress Administration's (WPA's) National Health Survey of 1935–36 to carry out the broad range of analysis regarding the new beneficiary system required by the Council and Congress preceding passage of the 1939 amendments. This survey provided the latest available information on income and family composition, thus enabling the Bureau to evaluate the scope and adequacy of the present program as well as develop proposals and cost estimates for other changes. For statistical purposes, a definition of family based on biological and legal relationship was formulated that made it possible to identify, within the household, those members whose relationship to the head constituted a legal claim on him for support. This "bio-legal" classification of family differed from the Census definition of family, which included all members related by blood or

⁷ See Charles McKinley and Robert W. Frazee, **Launching Social Security: A Capture-and-Record Account, 1935–1937**, The University of Wisconsin Press, 1970.

⁸ The Actuarial Consultant to the Social Security Board assisted in the preparation of the cost analysis.

marriage (cousin, nephew, niece, married sons and daughters) and who, for social insurance purposes, were not actual or potential dependents of the head. The information on family relationship and income provided by the study was crucial to developing a benefit system for dependents and survivors.

A study on extending coverage to excluded workers used data from the 1930 census and more recent estimates from the Committee on Social Security of the Social Science Research Council. It concluded that, "given time enough for the present older generation of workers to pass from the scene, a large proportion of the entire gainful worker population of the country will pass through covered employment as now defined, to a sufficient extent to earn the minimum benefit rights to be entitled to some kind of an annuity."⁹

The study went on to say that those who acquired benefit rights as a result of the shifting between covered and noncovered employment that would occur normally during a lifetime would be near the bottom of the earnings scale. Consequently, they would draw heavily from the fund while contributing relatively little. The study also noted:

- For those excluded from coverage, coverage of nonprofit employees would pose no administrative problem (it appeared that most employees wanted coverage, although most nonprofit employers were opposed to it).
- Coverage of the self-employed would not work under the present system because it depended on an employer-employee relationship (a new system would be needed that depended on perhaps a 6-percent income tax).
- Coverage of agricultural, domestic, and casual workers would pose administrative problems, but these problems could be resolved with a stamp book system for collecting taxes.¹⁰

To better understand the issues involved in solving the administrative difficulties that precluded the coverage of agricultural workers at the outset, a study was made, at the request of the Council, of social insurance programs for agricultural workers in Great Britain, France, Germany, Sweden, and Austria. The study concluded that, while the special characteristics of agricultural workers posed administrative problems, appropriate administrative procedures could be developed to overcome them, as demonstrated by the European experience.¹¹

⁹ Ewan Clague, **The Problem of Extending Old-Age Insurance to Cover Classes Now Excluded**, report prepared for the Advisory Council on Social Security, November 1937.

¹⁰ Each employer would affix a stamp to a book maintained by the worker indicating the amount of taxes withheld or wages earned during given periods.

¹¹ See Thomas C. Blaisdell, Jr., "Old-Age Insurance for Agricultural Workers in Western Europe," **Social Security Bulletin**, June 1938, pages 19-23.

Bureau of Research and Statistics staff also made oral presentations to the Advisory Council on such issues as the old-age reserve system and its alternatives, the feasibility of the stamp book method for making contributions, and the need for disability insurance. The earlier study on the economic status of the aged was also provided to the Council as background material.

The Advisory Council made 24 recommendations regarding benefits, coverage, and finance in its final report, issued on December 10, 1938. Among these were the payment of benefits to aged wives and widows and surviving dependent children, the eventual payment of benefits to workers who became totally and permanently disabled and to their dependent children, immediate coverage of employees of nonprofit organizations, and coverage of farm workers and domestic employees by January 1940. The Council also recommended a study of the problems of extending coverage to self-employed persons and government employees and of starting payment of monthly benefits in 1940. Although Congress did not adopt all of these recommendations, the work of the Advisory Council led to the first major changes in the program.

The 1939 amendments advanced the payment of monthly benefits to January 1, 1940; provided benefits for aged wives and widows, dependent children of retired and deceased workers, young widows with dependent children, and dependent aged parents; established the OASI Trust Fund to replace the Federal Old-Age Reserve Account; and removed the age 65 restriction on workers in covered employment.¹² However, this legislation did not provide for the extension of coverage to the groups excluded by the original Act nor did it provide monthly benefits for permanent disability.

During the session of Congress that began January 1941, over 100 bills were introduced that related in some way to the social security program. Several bills would have broadened the scope of the program to include disability insurance and several would have extended coverage to the excluded groups. The President, in his budget message to Congress in January 1942, recommended the extension of coverage and the addition of a disability insurance program. These priorities of the President became those of the Social Security Board. The ensuing research studies laid the groundwork for the eventual enactment of these provisions.

Coverage Studies

Legislation was enacted in 1950 extending coverage to some of the groups not covered by the original Social Security Act. This was preceded by a number of studies conducted by the Division of Program Analysis. These studies evaluated the extent of protection available to

¹² See Lyle L. Schmitter and Betti C. Goldwasser, "The Revised Benefit Schedule Under Federal Old-Age Insurance," **Social Security Bulletin**, September 1939, page 4, table 1.

meet the economic security needs of groups not covered by the Social Security Act.

In 1941, two limited sample surveys were conducted.¹³ One dealt with persons employed on farms located in 10 selected counties in Virginia. The other survey was of migratory agricultural workers in selected areas of North Carolina, South Carolina, Virginia, Kentucky, Michigan, and New Jersey. Social Security field staff conducted the interviews for the Virginia survey while the Farm Security Administration conducted the interviews for the other State surveys. In both instances, the interview data were matched with wage records maintained by the Social Security Board. Although the samples were small and representative only of limited agricultural areas, the studies did provide some important findings. They showed that a considerable number of agricultural workers shifted at some time into covered employment and a small group shifted regularly between the two. Further, the members of this small group, although earning a significant amount in wages annually, were not likely to acquire insured status because their earnings in covered employment were concentrated in one quarter.¹⁴

These studies were followed by a study of about 10,000 farm operators and farm laborers in Arkansas and Iowa.¹⁵ The survey information was matched with earnings records to provide complete work histories. Like the earlier surveys, a substantial number of agricultural workers in Arkansas and Iowa also had taxable wages from covered employment. However, many of them, particularly the seasonal workers, would fail to gain insured status for OASI benefits. In addition, agricultural workers moving to defense industries during World War II would, following the war, more than likely return to farm work. Thus, the coverage they gained during the war would be a fruitless investment because they too would fail to gain insured status.

A spot survey of self-employed workers in the District of Columbia indicated that a high proportion maintained some type of business records and could therefore estimate income for social insurance purposes.

During the first three weeks of January 1941, a study was conducted of domestic workers in private homes in Baltimore City.¹⁶ Interviewers visited every second home in 53 census tracts in 19 wards and interviewed women who were or had been domestic workers. The final analysis was limited to data on black women since white women comprised less than 4 percent of those

interviewed. Social Security wage records were matched to the survey data to supplement the work histories obtained during the interviews. The study showed that even if coverage were extended to household employment, the majority of domestic workers would only be entitled to the minimum benefit. The study also showed that if household employment were covered, some household workers would still be excluded from coverage as casual workers—that is, unless casual labor was also covered or the definition of casual labor changed.¹⁷

A study limited to white female workers in Chicago was conducted in the latter part of 1941 and early 1942 to supplement the Baltimore study.¹⁸ The sample for this study was selected to include an equal number of domestic workers, women who were or had been self-employed, and women in all other occupations. The interviews were conducted by college and university students under the National Youth Administration program. The findings were similar to those from the Baltimore study. However, a larger number of married women were no longer in the labor market, there was greater “in-and-out” movement between domestic and covered employment among young white domestic workers, and overall a larger number shifted from noncovered employment to covered employment. It was also noted that women who went from noncovered jobs to jobs in the covered war industries would be disadvantaged because they would most likely return to their prewar noncovered jobs.

Studies also continued on the various methods used by foreign countries to collect social insurance taxes and record wage data for agricultural workers, domestic workers, and the self-employed.

A study based on earnings records received for black workers in 13 selected southern States showed that black workers were being disadvantaged because of the exclusion from coverage of agricultural labor and domestic service and the higher mortality rates among black workers made it less likely for them to receive old-age benefits at age 65.¹⁹ However, the study pointed out that a relatively larger number of black widows and young children of deceased wage earners would receive benefits.

The Bureau of the Census, at the request of the Bureau of Research and Statistics, conducted a mail survey of retirement systems administered by State and local governmental units. The results of this survey indicated that less than half of the 3.2 million State and local government employees were covered by a retire-

¹³ Division of Program Analysis, **Review of Operations**, Bureau of Old-Age and Survivors Insurance, Social Security Board, April 1941.

¹⁴ After the 1939 amendments, an individual's eligibility for benefits was based on the number of quarters in which wages were received.

¹⁵ See Fred Safier, Walter Useem, and Walter Quinn, “Farmers and Farm Laborers in Employment Covered by Old-Age and Survivors Insurance,” **Social Security Bulletin**, June 1943, pages 18–24.

¹⁶ See Erna Magnus, “Negro Domestic Workers in Private Homes in Baltimore,” **Social Security Bulletin**, October 1941, pages 10–16.

¹⁷ The Internal Revenue Service defined casual labor as services not in the course of the employer's trade or business and services performed on not more than 10 calendar days within a period of 2 consecutive calendar months.

¹⁸ See Erna Magnus, “Gainfully Employed Women in Chicago,” **Social Security Bulletin**, April 1943, pages 3–17.

¹⁹ See Charles L. Franklin, “Characteristics and Taxable Wages of Negro Workers, 13 Selected Southern States, 1938,” **Social Security Bulletin**, March 1941, pages 21–31.

ment system. In half the States, employees who had no protection outnumbered members of retirement systems by more than two to one.

The Social Security Board, in its Tenth Annual Report for fiscal year 1945, recommended that all workers—agricultural, domestic, and public employees, employees of nonprofit organizations, and self-employed persons—be covered under OASI. The Board also recommended that servicemen be given credit for their period of service in the Armed Forces. Also in 1945, Congress instituted an independent study of various issues regarding the social security program including the extension of coverage.²⁰ The study group, in its final report, suggested the extension of coverage as “. . . a vital step in making social insurance a widespread and dependable protection.”²¹

The Social Security Board and Congress continued to consider the coverage issue. It was not until 1950, however, that Congress enacted legislation that brought under the program at least a portion of all major groups previously excluded. The 1950 amendments brought about the second major expansion of the social security program. Coverage was extended, on a compulsory basis, to regularly employed farm and domestic workers, nonfarm self-employed persons (except members of professional groups), Federal civilian employees not under a Federal retirement system, U.S. citizens employed outside the United States by American employers, and workers in Puerto Rico and the Virgin Islands. Coverage was extended on an elective basis to State and local government employees not under a State or local government retirement system, and to employees (other than ministers) of nonprofit organizations.

These exceptions still excluded a significant number of workers from the social security program. The regularity of employment provisions, which excluded many farm and domestic workers, provided a means of avoiding the administrative problems of reporting wages. Farm operators were excluded mainly because a sufficient number had not expressed to Congress a desire for coverage and the major farm organizations were split on the issue. Some public employees were not covered because Congress did not believe enough was known about the best method of coordinating the OASI program with public retirement programs. Also, the constitutionality of a compulsory tax upon State and local governments was still an issue.²²

President Harry S. Truman, in this 1951 budget message to Congress, stated that the social security

²⁰ See “Issues in Social Security,” a report to the House Committee on Ways and Means by the Committee’s Social Security Technical Staff, 1946 (79th Cong., 1st sess.). *Social Security Bulletin*, February 1946, pages 3–9.

²¹ *Ibid.*, pages 3–4.

²² See George J. Leibowitz, “Old-Age and Survivors Insurance: Coverage Under the 1950 Amendments,” *Social Security Bulletin*, December 1950, pages 3–10.

program, despite improvements provided by the 1950 amendments, “still does not measure up to the full needs or aspirations of the American People; nor has it by any means achieved the scope of protection that our economy can afford and should give Our aim should be to establish for all employed people a minimum protection that each person takes with him wherever he works” President Dwight D. Eisenhower, in his first State of the Union message, reaffirmed the need for the extension of coverage to those left out of the system.

In 1954, and again in 1956, legislation was passed to bring additional farm and domestic workers, State and local workers, and self-employed persons into the social security program. However, because most of the new groups had reporting requirements or were covered on an elective basis, coverage was still not universal.²³

In the 1977 Amendments to the Social Security Act, Congress mandated a study to examine the feasibility and desirability of mandatory coverage of employees of Federal, State, and local governments and of nonprofit organizations. The study group reviewed the coverage held by workers who would be affected, developed options for and alternatives to mandatory coverage, and analyzed the effects of each option and alternative. With the 1983 amendments, coverage has become virtually complete. State and local government employees who have not elected coverage and Federal employees hired before January 1, 1984, are the major groups not covered; thus, coverage continues to be a program research issue.

Old-Age and Survivor Studies

In January 1940, the first monthly benefits were paid under the old-age and survivors insurance program. In 1941, the first beneficiary survey was initiated by the Division of Program Analysis. Before the passage of the Social Security Act in 1935 and the 1939 amendments, little was known about the social and economic status of prospective beneficiaries. Thus, there was an immediate need for information about beneficiaries and their families—their economic status, sources of income in addition to benefits, the adequacy of benefits received, their assets and liabilities, their living arrangements and family composition, and their employment experience. This information was needed for program planning and policy decisions.

From May 1941 to July 1942, beneficiaries were surveyed in seven cities—Philadelphia, Baltimore, St. Louis, Birmingham, Memphis, Atlanta, and Los Angeles. The studies focused on retired workers and widows with entitled children. The male retired-worker group, the largest in the survey, consisted of non-

²³ See William J. Nelson, Jr., “Employment Covered Under the Social Security Program, 1935–84,” *Social Security Bulletin*, April 1985, pages 33–39.

married men with no other beneficiary or potential beneficiary on the record; married men with entitled or nonentitled wives and no other beneficiary or potential beneficiary; and married men whose wives were not entitled but who had one or more children under age 18 who were either beneficiaries or potential beneficiaries. For some reason single men with entitled children and married men with entitled wives and entitled children were excluded. The female retired-worker group consisted only of the women themselves. At that time husbands could not be entitled to benefits based on their wives' wages and although children could be entitled there were no such claims in any of the cities surveyed.

In 1944, aged beneficiaries in St. Louis were reinterviewed to determine if their economic status had changed during the intervening years when the national economy was experiencing rising prices and almost unlimited employment opportunities due to the war effort. The results were mixed. Some of those interviewed had returned to work and were better off economically, while others did not fare as well. Such factors as advancing age, changes in living arrangements when children left home because of marriage or to serve in the war effort, and higher housing costs contributed to many aged beneficiaries being worse off than at the time of the first interview in 1941. Other surveys of beneficiaries were conducted in Ohio in 1944 and in Boston in 1946. In 1949, beneficiaries in Philadelphia and Baltimore who were initially interviewed in the 1941 survey were reinterviewed.

These early beneficiary surveys were limited to specific locations. Therefore, conclusions drawn from their findings could not be generalized to the entire beneficiary population. Nevertheless, these surveys provided considerable information and insight on the role of the social security program in providing for the economic security of retired workers and their dependents.²⁴ These studies revealed the hardships imposed on families because wives had to be 65 years old to qualify for benefits (only 42 percent of wives of primary beneficiaries were aged 65 or older). In the three southern cities, Atlanta, Birmingham, and Memphis, most beneficiary groups reported income from other sources; however, for 45 percent of those interviewed, all other income did not equal the amount of social security benefits.

The adequacy of benefits was an early issue. Under the 1939 amendments, the minimum monthly primary insurance benefit payable ranged from \$10 to \$41.60.

²⁴ See Edna C. Wentworth and Dena K. Motley, **Resources After Retirement: A Study of Income, Assets, and Living Arrangements of Social Security Beneficiaries, 1941 Through 1962** (Research Report No. 34), Office of Research and Statistics, Social Security Administration, 1970, and Edna C. Wentworth, **Employment After Retirement: A Study of the Postentitlement Work Experience of Men Drawing Benefits Under Social Security** (Research Report No. 21), Office of Research and Statistics, Social Security Administration, 1968.

The maximum family benefit was \$85. The average monthly benefit for retired workers was \$22.60 in 1940. Higher wages earned during the war years had increased the average to \$23.81 by March 1945. However, because of the way benefits were computed, the rise in wages did not affect the amount paid to workers already receiving benefits. The early studies indicated the advantages of increasing benefit amounts, for lowering the age requirement for wives, widows, and female retired workers from 65 to 60, and for eliminating the age requirement for wives with young children in their care—changes that the Social Security Board recommended during the early 1940's, and again following the Second World War.

The 1948 Advisory Council, appointed by the Congress, studied those issues and made similar recommendations.²⁵ Congress, in the far-reaching 1950 amendments, the second major modification of the program, enacted many of these recommendations into law. The benefit amounts were increased, eligibility requirements were liberalized, and benefits became payable to dependent husbands, dependent widowers, and children of insured women. Wives caring for eligible children became eligible for benefits regardless of age. However, the age requirement for wives, widows, and female retired workers remained at 65.

Following the 1950 amendments, program research became national in scope. In late 1951, a national survey of old-age and survivor beneficiaries was conducted. It was the first to be carried out on a national basis and was limited to retired workers and aged-widow beneficiaries. The sample of about 22,000 beneficiaries was based on certain digits of the Social Security number and amounted to approximately 1 percent of retired-worker and aged-widow beneficiaries who became entitled during 1940-50. The interviews were conducted by Social Security district office staff. Information was gathered on the amount and sources of income, assets and liabilities, noncash income, family composition, living arrangements, dependents, illnesses and hospital stays, reasons for retirement, and postentitlement employment. The study showed that nearly two-thirds of the beneficiaries received no other retirement income. Although the amount of the monthly benefit check was small, it enabled many beneficiaries to remain economically independent. However, a majority of the beneficiaries either received public assistance or had income that was below the assistance standard. One-third of all widows were not entitled to benefits immediately upon the death of the husband and had no employment during the waiting period. Effective in November 1956, the age at which widows could receive benefits was

²⁵ See "Proposed Changes in Old-Age and Survivors Insurance: Report of the Advisory Council on Social Security to the Senate Finance Committee" (Committee Print., 80th Cong., 2d sess.) in **Social Security Bulletin**, May 1948, pages 21-28.

lowered to 62. Also at age 62, female retired workers and wives could receive reduced benefits.

Adequacy of benefits and the economic well-being of the beneficiary population continued to be major concerns. By the mid-1950's, the United States and most European nations had experienced a rise in living costs. A study was made of the social security systems in four European countries (Denmark, Austria, Italy, and Sweden) to examine the actions that had been taken to assure that benefits remained adequate during periods of inflation.²⁶

A second national survey was launched in 1957 by the Division of Program Analysis to determine the economic situation of beneficiaries. This time the sample included a cross-section of the major types of beneficiaries and followed the sample design used by the Bureau of the Census for the Current Population Survey. Social Security field personnel again served as interviewers. This study was much more valuable in providing information about the beneficiary population because the sample included more types of beneficiaries. The study indicated that in 1957, as in 1951, OASI benefits were the principal means of support for large numbers of aged persons. However, the average total money income of beneficiaries had risen well in excess of the 8.3 percent increase in prices that occurred during the 6 intervening years.

During the 1960's, the focus of the Nation was on improving the well-being of Americans in general. Federal programs were initiated to bring about improvements in income, education, and medical care. Civil rights legislation was enacted that had a far-reaching effect on every program and every agency. The social security program had, by then, reached a degree of maturity and was clearly a major factor in the economic well-being of a significant segment of the population. Nevertheless, as the Nation turned its attention to identifying and eradicating those barriers that prevented full social and economic opportunity for all, the Social Security Administration recognized the need to broaden its view to continue making significant contributions in solving current and future social problems. It was no longer sufficient to be knowledgeable about the needs and capacities of individuals and families participating in the social security program. Information was also needed on those persons who were outside the program's boundaries. Social security after all was the Nation's major income-maintenance program and its role had to be examined within the context of national social objectives. Thus came the need for the Social Security Administration to broaden the scope of its research.

For some time the Social Security Administration had been concerned with the development of measures of

adequacy against which to evaluate beneficiary income. In the 1950's, a budget was constructed for an elderly couple similar to the Bureau of Labor Statistics' standard budget for a worker's family of four.

A major innovation in this area was the development of the Social Security Administration's poverty index in 1964. The index provided a method for defining and measuring poverty for families of varying size, composition, and type of residence (farm and nonfarm). The poverty level was based on income-food expenditure patterns and the minimum cost of an adequate diet included in the Department of Agriculture's 1961 economy food plan.

The Social Security Administration used the poverty index to estimate the number of beneficiaries taken out of poverty by OASDI benefits and the number remaining poor or near poor. The index was also used to estimate the effect of proposed modifications in benefit provisions on aged persons and other beneficiary groups.²⁷

The poverty index had applications beyond social security program research. It was adopted by the Council of Economic Advisors in lieu of an earlier measure that used a cutoff point of \$3,000 a year for all families regardless of size. Shortly thereafter, the index became the national standard for measuring poverty. The index is updated each year to reflect cost-of-living changes. It is based on money income and does not take into account in-kind income such as food stamps, employer-paid fringe benefits, and school lunches. The inclusion of nonmoney income in the definition of the poverty index has been under consideration. In 1969, primary responsibility for maintenance of the index and the release of basic statistics on poverty was shifted to the Bureau of the Census.

In 1963, the Office of Research and Statistics launched its first national survey that also included non-beneficiaries. The 1963 Survey of the Aged represented a significant departure from earlier surveys, which had focused only on persons receiving benefits. Its major purpose was to measure the economic and social situation of the aged population of the United States and to assess the effectiveness of the social security program in meeting economic needs. A nationally representative sample of all persons aged 62 or older was selected by the Bureau of the Census based on the design used for its Current Population Survey and the Quarterly Household Survey. Information was collected on various aspects of these persons' socioeconomic status along with extensive information on their income, assets, and work experience. Information on health care costs and hospital utilization during 1962 was also collected. The interviews were conducted by Bureau of the Census

²⁶ See Carl H. Farman, "Increased Living Costs and Social Security Benefits," *Social Security Bulletin*, January 1954, pages 14-19.

²⁷ See Mollie Orshansky, "Counting the Poor: Another Look at the Poverty Profile," *Social Security Bulletin*, January 1965, pages 3-29.

interviewers. The findings from the survey were used extensively by the Social Security Administration, the 1963 Advisory Council, and the Congress in formulating and considering legislative proposals that led to the 1965 amendments.²⁸ This legislation established the Medicare and Medicaid programs. It also made a number of changes in the OASDI program, including the payment of reduced benefits to widows as early as age 60 and the establishment of special insured status requirements for persons aged 72 or older.

One of the issues before the 1963 Advisory Council was the large number of early retirees who claimed reduced benefits before age 65. Actuarially reduced retirement benefits as early as age 62 had become available for women in 1956 and for men in 1961. In its 1965 report, the Council had expressed concern that the resulting low benefit levels would eventually result in greater reliance on public assistance. The Council made no recommendation for change in the provision because not enough was known about the population opting for early retirement—their financial resources and reasons for retiring. The Council did recommend that the Social Security Administration make a special effort to obtain such information.

In response to this request, the Office of Research and Statistics initiated the Survey of Newly Entitled Beneficiaries.²⁹ Each month, from July 1968 to June 1970, national samples of persons initially awarded retired-worker benefits were surveyed by mail questionnaires to obtain information on such topics as retirement patterns, reasons for retiring, the incidence of disabling health conditions, employment, and financial resources. The early retirees were found to be a mixed group. For many, poor health, limited or no earning capacity, and few if any retirement resources other than social security made the actuarially reduced benefits a hardship. For others, second pensions and relatively high social security benefit amounts made early retirement attractive despite the reduction. It was also found that those with the lowest benefits were not necessarily among the poorest. Poverty also extended into the group receiving benefits of moderate size. The diversity among the early retirees argued against a general change in the actuarial reduction provision as a means of improving the economic status of the low-income elderly.

To learn more about the retirement process and the connection between the quality of life in the years immediately preceding retirement and the retirement decision, a 10-year study was undertaken in 1969 of

²⁸ See Lenore A. Epstein and Janet H. Murray, **The Aged Population of the United States: The 1963 Social Security Survey of the Aged** (Research Report No. 19), Office of Research and Statistics, Social Security Administration, 1967.

²⁹ See Patience Lauriat and others, **Reaching Retirement Age: Findings From a Survey of Newly Entitled Workers, 1968-70** (Research Report No. 47), Office of Research and Statistics, Social Security Administration, 1976.

persons aged 58-63.³⁰ The Retirement History Study was a natural, next step in Social Security's program research. The 1963 survey looked at beneficiaries and nonbeneficiaries aged 62 or older. The Retirement History Study examined the characteristics of persons of preretirement age as well as those of retirement age and followed them over a 10-year span to evaluate the impact of the social security program on their lives. Persons selected for the study were interviewed in 1969 and reinterviewed every 2 years over the 10-year period.

The data file was used extensively by researchers in SSA and in academic and other nongovernment settings to measure the determinants of retirement behavior and changes in income and well-being during retirement.

A major concern during the 1970's was the equitable treatment of men and women under the social security program. When benefits were extended to wives and widows in 1939, it was done on the basis that wives and widows were economically dependent on their husbands but with the assumption that dependency would diminish as more women worked. Indeed, over the years major changes occurred in the way society perceived the role of women as well as in the way women perceived themselves. Their participation in the labor force had increased dramatically and, whether they worked in paid employment or as unpaid homemakers, women were viewed as making an economic contribution to the family unit.

Although studies on the social and economic characteristics of women as workers and as beneficiaries always have been part of the research program, research on this topic was greatly enhanced by the Retirement History Study and the Survey of Newly Entitled Beneficiaries. Information from these surveys was made available to policymaking groups considering issues relating to women.

The latest survey, the 1982 New Beneficiary Survey, examines in detail the social and economic characteristics of persons who recently began receiving social security benefits.³¹ The survey is based on a nationally representative sample of retired workers, disabled workers, and aged wives and widows. Also included in the sample are workers aged 65 or older who established entitlement to Medicare and are eligible for but have not yet filed for monthly cash benefits.

Before the New Beneficiary Survey was initiated, more than a decade had passed since the last national survey of new beneficiaries in 1968-70. In the interim, the Nation's social security program had experienced major changes. The detailed information gathered on income and assets, pensions, employment, health

³⁰ See Lola M. Irelan and others, **Almost 65: Baseline Data From the Retirement History Study** (Research Report No. 49), Office of Research and Statistics, Social Security Administration, 1976.

³¹ See Linda Drazga Maxfield, "The 1982 New Beneficiary Survey: An Introduction," **Social Security Bulletin**, November 1983, pages 3-11.

status, family composition, living arrangements, child care, and work patterns permits not only extensive analysis of the effectiveness of current program provisions but also simulation of the impact of future changes.

Disability Studies

Research on disability as a source of economic insecurity continued throughout the 1940's and helped lay the groundwork for the eventual enactment of the disability insurance program. Data from the earlier WPA National Health Survey were used extensively to address issues related to disability (its prevalence, cost factors, and implications for disability insurance). Three basic concepts of disability were analyzed—physical disability, occupational disability, and general disability for work—and the social and economic consequences of each.³² Particular attention was given to disability among wage earners in terms of their ability to work and whether the disability was temporary or permanent. This focus was necessary to formulate and evaluate proposals before the Congress for enactment of a disability insurance program.

Obtaining current information on the prevalence and duration of disability through a nationally representative sample posed difficulties. This problem was solved by the monthly survey of the labor force initiated by the WPA and later carried on by the Bureau of the Census. In 1942, the Bureau of Research and Statistics entered into an agreement with WPA to obtain basic information on disabling illnesses. Interviews were conducted in 1942 and 1943 to ascertain the prevalence of disability among the noninstitutionalized population. A question was asked about each person in the household: "Was this person unable to engage in ordinary activities for 1 day or more last week because of illness, injury, or physical or mental disability?" Following "yes" responses, the respondent was asked "For how many days was this person unable to engage in ordinary activities last week because of illness, injury, or disability?"

These surveys had several limitations because of the approach used. No information was obtained on the total duration of the disability, or whether the disability began or terminated during the week in question; no information was obtained on the cause of the disability; and the existence of a disability was left to the judgment of the person furnishing the information. Another limitation was that persons whose customary activities did not include working but who were disabled enough not to be able to work would not be counted as disabled so long as they could carry on their "normal" activities.³³

³² See I. S. Falk, *Disability Among Gainfully Employed Workers* (Bureau of Research and Statistics Memorandum), June 1945.

³³ See Barkev S. Sanders and David Federman, "The Prevalence of Disability Recorded Through Four Monthly Sample Surveys," *Social Security Bulletin*, August 1943, pages 5-11.

These particular surveys were discontinued before improvements could be made. Nonetheless, the surveys did provide valuable information for gauging increases and decreases in disability as well as variations among different sections of the country and among different occupational and industrial groups.

In 1949, the Social Security Administration, the Office of Vocational Rehabilitation, and the Public Health Service arranged to use the Bureau of the Census' Current Population Survey (the successor to the monthly survey of the labor force) to obtain information on the number of disabled persons in the civilian noninstitutionalized population aged 14-64. The study was restricted to persons under age 65 to coincide with the proposals for disability insurance under consideration by the Social Security Administration and Congress. By using a four-question approach, the study yielded information on the duration of the person's disability as well as information on the person's employment status before becoming disabled.³⁴

Interest in a disability insurance program continued throughout the 1940's. In 1947, the Senate Finance Committee again appointed an advisory council to make a comprehensive study of the social security system and various proposals for its expansion. The Council reported that the time had come to provide protection against the loss of income from permanent and total disability. The Council recommended that the OASI program be expanded to include monthly benefits to disabled persons "incapable of self-support for an indefinite period" after a 6-month waiting period. To be eligible, the person had to meet strict requirements to determine the recency and duration of his or her attachment to the labor market. Although Congress spent a great deal of time deliberating on disability insurance, the resulting legislation—the 1950 amendments, which brought about major changes in the social security program—contained no such provision. The amendments, however, added a new category—aid to the permanently and totally disabled—to the Federal-State public assistance programs.

President Harry S. Truman, in his 1951 budget message, again asked Congress to fill an important gap in the social security program by providing protection against the loss of income due to disability. In 1954, President Dwight D. Eisenhower recommended and Congress enacted legislation that established a disability "freeze" to protect the benefit rights of disabled workers. Under the freeze, the future benefits of workers who were totally disabled for an extended period and had substantial work records in covered employment were maintained at the amount that they would have received if they had reached age 65 and retired when the

³⁴ See Marjorie E. Moore and Barkev S. Sanders, "Extent of Total Disability in the United States," *Social Security Bulletin*, November 1950, pages 7-14.

disability began. In 1956, Congress took the additional step and enacted the disability insurance program to pay monthly benefits to disabled workers aged 50-64 and to disabled adult children of insured or deceased workers beginning in 1957. In the following year, benefits were extended to spouses and children of disabled workers. In 1960, the minimum age requirement was eliminated.

With the implementation of the disability insurance program came the need to evaluate the new program and its potential size. In 1960, the Social Security Administration initiated a survey of disability beneficiaries and workers with a disability freeze.³⁵ This survey was limited to eight metropolitan areas. Only about 560,000 disabled workers and disabled adult children were receiving benefits in December 1960, shortly after the survey was carried out. However, the National Health Interview Survey (NHS) and data from the Bureau of the Census indicated that there were at least 2 million adults under age 65 who were not working because of chronic disabilities.

The purpose of the survey was to examine the relationship of social and economic factors to disability, to describe the disabled population covered by the OASDI program, and to suggest the scope and direction of future research. The study found that the disabled were among the most economically disadvantaged members of the population. Their median income was substantially lower than that of the average family, a situation that was made worse by the high cost of their medical care. Benefits from OASDI and from veterans' programs did mitigate the economic impact of disability for the family, but only in part. The findings suggested that future research to evaluate the effectiveness of the program should focus on the interplay of family status and role relationships, income, resources, medical care needs, and the extent of incapacity. This led to the Social Security Administration's first national comprehensive study of disabled adults.

In 1966, SSA launched a national interview survey in conjunction with the Bureau of the Census of both non-institutionalized and institutionalized disabled adults aged 18-64. (The institutionalized disabled adults were interviewed in 1967.) One of the major objectives of the study was to determine the prevalence of disability in the population and thus the potential size of the disabled beneficiary population. A different approach was used to overcome some of the problems of identifying the disabled that existed with the earlier surveys. The sample design decided upon was a two-stage process—mail questionnaire and interview—that was preceded by extensive pretesting of various formulations of the disability identification questions and screening

³⁵ See Division of Research and Statistics, "The Disabled Worker Under OASDI," *Social Security Bulletin*, November 1964, pages 18-20.

techniques—mail versus personal interview.³⁶ As a result of this more thorough questioning, about twice as many noninstitutionalized adults were found to be disabled in 1966 as were found in the NHS for 1963-65 (18 million, compared with an average of 9 million). The difference was attributed primarily to the identification procedure rather than the criteria for determining disability. The only difference in criteria related to women. The Social Security Administration survey included housework limitations as well as work limitations regardless of present work status. The NHS questions referred to "usual activity" in the survey year and did not take into account women engaged in housework who because of chronic conditions could not continue or start work activity.³⁷

The next major national disability survey was conducted in 1972. It included not only disabled adults, but also nondisabled and previously disabled noninstitutionalized adults. (The 1966 survey had screened out the nondisabled.) The study focused on the extent to which disability affected the labor force activity of working age adults and the effects of disability on the distribution of income.

During the 1970's, the major issue regarding the disability insurance program was its rapid growth. From 1966 to 1975, the number of persons receiving a benefit on the basis of disability increased from 1.3 million to 3.0 million, an increase of more than 126 percent. Studies were undertaken to help determine the causes for this growth. Among the causes the studies found:

- Changes in economic conditions—especially high unemployment—resulted in an increase in disability applications and discouraged beneficiaries from leaving the rolls to return to work.
- Vocational factors—rather than medical factors—predominated in awarding benefits in an increasing number of cases.
- Age, number of dependents, and type of disorders were major factors in the reversal at the appeals level for persons initially denied benefits.

In addition, one study found that the increase in disability cases stemmed from delayed public awareness of program changes during the 1960's and early 1970's that liberalized benefits. Another study showed that there was an increase in the incidence of disability.³⁸

At the same time that the disability rolls were growing at a rapid rate, the United States was undergoing dramatic changes in the economy (high inflation and

³⁶ See Lawrence D. Haber, "Identifying the Disabled: Concepts and Methods in the Measurement of Disability," *Social Security Bulletin*, December 1967, pages 17-34.

³⁷ See Lawrence D. Haber, "Disability, Work, and Income Maintenance: Prevalence of Disability, 1966," *Social Security Bulletin*, May 1968, pages 14-23.

³⁸ See Mordechai E. Lando and Aaron Krute, "Disability Insurance: Program Issues and Research," *Social Security Bulletin*, October 1976, pages 3-17.

high unemployment) that affected the number of disability applicants and the number of beneficiaries remaining on the rolls. In 1978, a national survey was launched that focused on disability and work. In 1980, legislation was enacted—the Social Security Disability Amendments of 1980—that placed greater emphasis on work incentives, provided for mandatory periodic reviews of disability beneficiaries to assure their continuing eligibility, and limited monthly disability family benefits. Research to assess the impact of these changes and to examine the economic status of disabled workers and their families is continuing through the 1982 New Beneficiary Survey.

Supplemental Security Studies

As a result of the 1972 amendments, the Social Security Administration was given administrative responsibility for the new supplemental security income (SSI) program, which provides monthly payments to low-income aged, blind, and disabled persons. In January 1974, the SSI program replaced the State-administered welfare programs of old-age assistance, aid to the blind, and aid to the permanently and totally disabled. With the new program came another major area of program research. Early on, a two-stage panel survey—the Survey of Low-Income Aged and Disabled—was conducted to determine if the federally administered SSI program brought improvements in the economic well-being of the Nation's poor adults.³⁹ A national panel of low-income aged, blind, and disabled adults, representing the SSI target population, was interviewed in the late fall of 1973, just before the start of the new program. The same panel was reinterviewed in 1974 after SSI had been in operation almost 1 year. The findings were reported in a series of articles in the **Social Security Bulletin** and in a special report series. A report based on this survey, "First Year Impact of SSI on Economic Status of the 1973 Adult Assistance Populations," found that the economic situation of recipients was greatly improved, particularly among those who were transferred from the State programs to SSI.

A new survey of SSI recipients now underway will provide data for policy research and legislative analysis. The major areas being investigated are health and employment potential, income and resources, living arrangements, and knowledge of the SSI program. In addition to 8,000 adult recipients, the sample includes 3,000 aged persons not receiving SSI. The latter will allow estimates of the size of the eligible aged population not currently receiving SSI and allow comparisons between aged recipients and nonrecipients on a number of dimensions.

³⁹ See Erma Barron, *Survey Design, Estimation Procedures and Sampling Variability* (Survey of Low Income Aged and Disabled, No. 5), Office of Research and Statistics, Social Security Administration, 1978.

Economic Research

The economic impact of the social security program on individuals as well as on the Nation's economy was and remains today a major area of research. At first, alternative methods of program financing were the major concern. During the 1930's and 1940's, the concern was the differential impact of the employer payroll tax on labor intensive and capital intensive industries. Attention then turned to the burden of the payroll tax on employers and employees, particularly among low-income workers.

The Bureau of Research and Statistics devoted considerable effort to analyzing the advantages and disadvantages of the payroll tax compared with general revenue financing, the value-added tax, or other types of sales taxes. Another major research question was the proper size of the social security reserve fund. During the late 1940's, most economic research related to post-war planning.

In the 1950's, a statistical series on social welfare expenditures was begun to provide a basis for measuring the share of the total national output devoted to social welfare programs. Soon after the Social Security Act was passed, it became apparent that statistical measures were needed that could serve as a tool for analyzing government's role in meeting economic security needs and the impact of such programs on the national economy. The Social Security Administration first developed a series of comparable statistics covering all social insurance and related programs. By the early 1940's, that series included national estimates of benefits paid under social security; Federal, State and local retirement systems; railroad retirement; unemployment insurance and workers' compensation; and veterans' programs. In addition to benefits paid, the data included estimates of the number of beneficiaries, the extent of coverage, contributions, and payrolls.

About 1950, a need was expressed for a comprehensive series on social welfare expenditures. Discussions in the United Nations of the proportion of national income various countries allocated to social welfare compared with military spending led the American delegates to ask for data on total U.S. social welfare expenditures. Such information was prepared for the State Department by the Social Security Administration for the first time in 1951. To provide figures that were comparable to those of other countries, the earlier series was expanded to include data on education, housing, and veterans' welfare benefits.

Through the years, the series has been revised to make it more comprehensive and current.⁴⁰ As new programs developed, they were added. In 1953, more detail was added and the series was carried back to earlier years. In

⁴⁰ See Ida C. Merriam, "Social Welfare Expenditures, 1929-67," **Social Security Bulletin**, December 1967, pages 3-16.

1955, private social welfare expenditures were added. The series is used to measure the relationships between program expenditures and other economic indicators such as gross national product, per capita expenditures, and total government expenditures.

In the 1960's, a division was established within the Office of Research and Statistics that was devoted to economic research. Its early work was centered on studying the redistributive effects of the social security program, examining the effect of the program on individual work and savings behavior, and on modeling the entire tax-transfer system (payments and taxes) on microdata bases. These models were for studies of the economic impact of various program proposals. Models were also developed to provide 10-year projections of OASDI payroll tax revenues, covered employment, and covered wages. These projections are used in the agency's budget preparation, the trustees' reports on the financial status of social security trust funds, and by other agencies such as the Congressional Budget Office for budget projections. Estimates of covered wages and self-employment income are used by the Treasury Department to make initial appropriations to the trust funds.

One of the major issues confronting the social security program throughout the 1970's was its financial soundness. From 1973 to 1977, over 30 bills were introduced in Congress proposing to alter the method of financing the social security system. In addition, social security financing was a major agenda item for the 1971, 1975, and 1979 advisory councils as well as the 1977 National Commission on Social Security. The heightened concern was stimulated in part by the growth and size of the payroll tax relative to other Federal taxes, the distribution of the burden of the payroll tax, higher than anticipated rates of inflation, high unemployment, sluggish productivity growth, and projected deficits in the OASDI Trust Funds. Concern was also raised that the social security system might be reducing capital formation and contributing to lower productivity.

Economic research activities reflected these concerns. Research continued on measuring the economic status of the aged and other low-income groups, how their status was changing over time, and how it was affected by social security, other transfer programs, and payroll and general revenue taxes. But there was also a new dimension. Research focused on examining the effect of alternative policy proposals on the economic well-being of various groups, including the aged. To this end, a microsimulation model was developed to project the effect of changes in benefits and taxes on different family units.⁴¹ The earliest application of this model was to

examine the Family Assistance Plan proposed during the Nixon administration. The most recent application was to examine the number and characteristics of persons affected by different postretirement cost-of-living adjustments. Limitations of this microsimulation model led to the development of a dynamic microsimulation model capable of making projections over longer periods of time. This model has recently been used to examine various proposals for implementing earnings sharing.⁴²

Other research adopted a lifetime context for evaluating the effect of Social Security policy on the economic well-being of different groups. Because workers can typically expect both to pay social security taxes and receive social security benefits at different points in their lifetimes, this research examined the net lifetime transfers received by different groups within the U.S. population.⁴³

Economic research during the 1970's also focused on the interrelationship of the social security system with the overall economy of the United States. The initial study involved the development of a short-run econometric model of the OASDI system that consisted of a series of equations describing the short-term response of retirement and disability beneficiaries to economic, demographic, and program factors.⁴⁴

Research was also conducted in the same short-term context on the incidence of the employer share of the payroll tax. The results suggest that part of the employer tax is actually paid by workers in the form of lower future wage increases.⁴⁵

A simulation model was also developed to focus on the long-term effects of Social Security policy. This model simulated the long-term interactions between Social Security policy and labor-force participation, production, income, savings, and capital formation. This model also complemented existing financing models by highlighting the interaction between economic and demographic variables. Before passage of the 1983 amendments, an early version of the model was used to examine the effect on various cohorts of workers of different policies (benefit reductions and

⁴² Subcommittee on Social Security, Committee on Ways and Means, U.S. House of Representatives, **Report on Earnings Sharing Implementation Study** (Committee Print., 99th Cong., 1st sess.), February 14, 1985, appendix J-MICROSIM.

⁴³ See Alan Freiden, Dean Leimer, and Ronald Hoffman, **Internal Rates of Return to Retired Worker-Only Beneficiaries Under Social Security, 1967-70** (Studies in Income Distribution, No. 5), Office of Research and Statistics, Social Security Administration, 1976, and Dean Leimer, "Projected Rates of Return to Future Social Security Retirees Under Alternative Benefit Structures," in **Policy Analysis with Social Security Research Files** (Research Report No. 52), Office of Research and Statistics, Social Security Administration, 1978.

⁴⁴ See John C. Hambor, **An Econometric Model of OASDI** (Studies in Income Distribution, No. 10), Office of Research and Statistics, Social Security Administration, 1978.

⁴⁵ See John B. Hagens and John C. Hambor, "The Microeconomic Effects of Payroll Tax Rollback," **Eastern Economic Journal**, January 1980, pages 21-32.

⁴¹ See Mary P. Roen, **Documentation of Simulated Tax & Transfer System Microsimulation Model: Introduction and Overview**, Office of Research and Statistics, Social Security Administration, 1982.

higher taxes, for example) to reduce the projected long-run deficit.⁴⁶

Another important area of research was the effect of social security on private savings. ORSIP economists found a major flaw in the data underlying several prior studies supporting the hypothesis that social security had substantially reduced private savings. Research conducted by the ORSIP economists provided no support for this hypothesis.⁴⁷

The Statistics Program

From the beginning, the Social Security Administration recognized that the information that would be collected to operate the programs would also be a resource for statistical analysis and research. Thus, the collateral use of administrative data for statistical purposes got under way when the administrative systems were established, with the receipt, in 1936, of the first application for a Social Security number. This document, which contains information on date of birth, sex, race, and place of birth, is used to establish a permanent record for each individual who is assigned a Social Security number.

There are basically two types of statistical information available from administrative records. Program data provides demographic and economic information on individuals that is derived from the Social Security number application, earnings reports submitted by employers and the self-employed, and from the OASDI and SSI claims process. The second type of information available is economic data for business establishments. These data are derived from the employer identification number application (numbers used to identify all the earnings reports submitted by a particular employer) and from the establishment reporting program (employers with establishments in more than one location report wages and summary information separately for each establishment).

Initially, statistics were produced as a byproduct of the processing operations and were based on 100 percent of the records. These statistics were limited and were soon supplemented by more detailed information based on samples selected from current records. An important sample developed from administrative records was the Continuous Work History Sample.⁴⁸ In 1940, a small sample was set up comprising about one-tenth of 1 percent of all wage records established during 1937-39. The sample selected was based on specific

digits in the Social Security number of individuals covered by the program in 22 States. These data were tabulated to show current-year information as well as cumulative data. These data, however, were of limited use for analyzing current and proposed program changes. This led to the establishment of a larger 4-percent sample for all parts of the country and included all significant information on covered workers. The 4-percent sample, also based on Social Security account number digits, initially included wage records for accounts established in 1937-39.

Each year thereafter, new accounts were included and the file was updated with the current year's wage records to provide a record of lifetime wage and employment information for all workers in covered employment. However, because of the wartime need for economy in personnel time, only one-fourth of the planned 4-percent sample—or a 1-percent sample—was implemented. It was intended that after the war the full 4-percent sample would be implemented, but this never was done. The 1-percent Continuous Work History Sample is still operational today and continues to be used for long-range planning, analyzing existing as well as proposed changes in the program, preparing administrative and actuarial estimates, and for a broad range of research topics. Through the years the Continuous Work History Sample has been used extensively by other governmental agencies, private organizations, and academic researchers.

In the early 1960's, another unique statistical research system was created. Data from the agency's administrative-statistical systems were linked with some administrative record data from the Internal Revenue Service and with survey data from the Bureau of the Census' Current Population Survey on an individual basis—exact matching—to create a comprehensive research file for use by the Social Security Administration and the research community. This early link project laid the groundwork for the 1973 Exact Match between the Current Population Survey and SSA data records. The Office of Research, Statistics, and International Policy continues to create matched files for statistical purposes.

As new programs were established, the development of related statistics programs followed. The earnings and employment statistics program was the first to be implemented, in the late 1930's. In the 1940's, statistics on old-age and survivor beneficiaries became available. In the 1950's, statistics were developed for the disability program. In the 1960's, the Medicare statistics program began.⁴⁹ In the 1970's, the statistics program for sup-

⁴⁶ See Dean Leimer and Peter Petri, "Cohort-Specific Effects of Social Security Policy," *National Tax Journal*, March 1981, pages 9-28.

⁴⁷ See Dean Leimer and Selig D. Lesnoy, "Social Security and Prior Saving: New Time-Series Evidence," *Journal of Political Economy*, June 1982, pages 606-629.

⁴⁸ See Jacob Perlman and Benjamin Mandel, "The Continuous Work History Sample: Under Old-Age and Survivors Insurance," *Social Security Bulletin*, February 1944, pages 12-22.

⁴⁹ A major research effort was devoted to the development of information related to health expenditures and health care costs both before and after the 1965 amendments, which created a national health insurance program for the aged. The research functions were transferred to the Health Care Financing Administration, which was created in 1976 to administer the Medicare and Medicaid programs.

plemental security income got underway. These statistics have been vital to program management as well as to program planning.⁵⁰

Research Advisory Groups

In early 1961, the Commissioner of Social Security assembled a distinguished group of experts to review the research program and to make recommendations as to its future scope and objectives. The advisory group recommended that greater emphasis be placed on long-range research and that program research be broadened.⁵¹ Further, it recommended that an advisory committee on research development be appointed to assist in planning an expanded research program.

As recommended, an Advisory Committee on Research Development was appointed in 1962 to provide a continuous appraisal of the research objectives of the Social Security Administration. Committee members included social scientists in economics, sociology, industrial and labor relations, demography, medical economics, biostatistics, and related disciplines. From 1962 to 1967, the Committee made many recommendations reflecting the ongoing research and statistics program.⁵² These recommendations, which continue to guide ORSIP, called for continued emphasis on:

- Research in the broad field of social security.
- Evaluation of the adequacy of the existing social security program.
- Analyses of the effects of income-maintenance and health insurance programs on the economy and on human behavior.
- Studies of the interrelationships among various public systems and between public and private schemes of income maintenance and health care.

⁵⁰ During the 1960's, the statistical program included a number of studies undertaken to assess the timeliness and accuracy of various aspects of the claims process. Among these were (1) a "check-stop, check-resume" study to determine a length of time standard for stopping a benefit payment or beginning a benefit payment when an event required such action; (2) a beneficiary compliance survey to determine the extent to which beneficiaries were reporting to the Social Security Administration certain events as required that could affect the receipt or level of benefits; (3) a proof of age study, which led to a revision in policy regarding the number and types of documents required of applicants as proof of age; and (4) several foreign claims validation studies that looked at the accuracy of the application of claims policies in the processing of claims filed by beneficiaries residing abroad.

A special unit, the Evaluation and Measurement Systems Staff, was established in the ORS to evaluate the accuracy and validity of claims policies and procedures. Each month a sample of awards and disallowances was selected for independent redevelopment and redetermination. The initial claims decisions were compared with those from the redevelopment to identify differences in the application of policies as well as differences in the determinations. Studies of this nature are now done in the Office of Assessment.

⁵¹ Advisory Committee on Research Development, **The Research Program for the Social Security Administration**, U.S. Government Printing Office, 1961.

⁵² Advisory Committee on Research Development, **The Research Program of the Social Security Administration**, U.S. Government Printing Office, 1968.

- Analysis of the comparative social efficiencies of the present social security system and alternative approaches.

The Research and Statistics Program Today

The emphasis of today's research program is on program statistics, policy research, legislative impact analysis, and providing technical assistance to others.⁵³ Administrative records such as the Summary Earnings Record and Master Beneficiary Record and surveys provide program statistics that enable policymakers to continually assess the current program and to answer such questions as: Who are current beneficiaries? How many get which types of benefits? What are the characteristics of beneficiaries and their families? How many and what types of workers are covered by the OASDI program? What are their earnings levels?

Policy research is supported in part by the use of simulation models that project an assessment of the effect of both tax and income transfer policies on beneficiaries and models that are used to predict the effects of policy changes on different types of beneficiaries. The analysis of the impact of legislation that has been enacted as well as proposed legislative changes is an ongoing activity. Studies are now underway to address a number of legislative impact questions: Are the economic problems of divorced older women as severe as supporters of earnings sharing contend? What are the characteristics of persons who could receive higher benefits if the earnings test were eliminated? In addition, two demonstration projects are underway to test methods of encouraging disabled SSI recipients to return to work and of treating drug and alcohol addiction.

In 1983, Congress made a number of changes in the social security program to assure its financial stability in the short and long term. Among the changes was a new provision to gradually increase the age of eligibility for full retirement benefits to 67 in 2027. Congress also mandated a study to determine the impact of this provision specifically on persons whose working careers may not be extended because of physically demanding jobs or because of health reasons. The study is now underway in the Office of Research, Statistics, and International Policy and its findings will be reported to Congress in 1986. One product of the study will be an agenda for future research to further assess the implications of raising the retirement age.

The complexity of the social security program in terms of its provisions as well as its administrative organization has increased the need for program evalu-

⁵³ See Jane L. Ross, "Overview of the Office of Research, Statistics, and International Policy Functions," **Social Security Bulletin**, September 1985, pages 5-9.

ation and has distributed the responsibility among various components of the Social Security Administration. ORSIP provides consultative services to these components on such matters as the design of samples, the methodology for determining the cost effectiveness for certain claims processing procedures, providing workload projections, and developing quality measures for testing computer functions.

The research program continues to examine the experience of other countries throughout the world in pro-

viding economic security through social insurance programs.⁵⁴

Social security is a program designed to meet social needs. As such, it will continue to evolve to keep pace with the changing needs and circumstances of society. The research and statistics program will continue to be an important adjunct to that evolutionary process.

⁵⁴ See International Policy Staff, **Social Security Programs Throughout the World—1983** (Research Report No. 59), Office of Research, Statistics, and International Policy, Social Security Administration, 1984.