

Workers With Annual Taxable Wages of Less Than \$200 in 1937-39

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IN EACH ONE of the years 1937, 1938, and 1939, approximately one-fourth of the workers with wages taxable under the old-age and survivors insurance program received wages of less than \$200 in the year, and approximately one-seventh received less than \$100. The average taxable wages for these two groups in 1939 were \$74 and \$38, respectively. What are the characteristics of these workers, and what is the nature and significance of their work and earnings experience? Data from the tabulations of 1937-39 wage records furnish a partial answer to these questions.

Of the total of 32.8 million persons who earned wages under the old-age insurance program in 1937, 7.1 million or 22 percent received less than \$200.¹ Both the number and proportion increased in 1938, primarily because of the business recession in that year, and amounted to more than 7.8 million workers, or 25 percent of the total of 31.2 million. In 1939, improved business conditions resulted in a slight decrease to 24 percent of the 33.1 million with taxable wages, although the number of these workers was approximately the same as in 1938. Yet only about 2 percent of the total taxable wages in each of the 3 years was credited to these workers.

With nearly one-fourth of the workers with taxable wages in the first 3 years of the program earning less than \$200 a year, the question of their ability to qualify for benefits under the program becomes important. Eligibility for all types of benefits depends both on the total amount of wages received by a worker in covered employment and on their distribution by calendar quarters. To qualify for benefits for himself and his dependents when he reaches age 65, a worker must be fully insured. His survivors are entitled to benefits if, at his death, he was either fully or currently insured. In general, to become fully insured, a worker must have had at least 1 quarter of coverage for each 2 calendar quarters elapsing during his working lifetime. A quarter of cover-

age is a calendar quarter during which a worker received at least \$50 in wages from covered employment. To be currently insured, a worker must have received at least \$50 for each of 6 of the last 12 quarters immediately preceding the quarter in which he died. A minimum of 6 quarters of coverage, however, is required for both fully and currently insured status. When a worker has 40 quarters of coverage he is considered permanently fully insured. It is possible, therefore, to become permanently insured without having been fully or currently insured previously.

Types of Workers Included

Among workers earning less than \$200, several types can be distinguished. The types are not, however, necessarily mutually exclusive. Some represent workers who are in the labor market for only part of the year. They are the new workers entering the labor market with the aim of obtaining permanent employment, those who are interested only in intermittent, casual, or seasonal employment, and those leaving the labor market during the year because of death, disability, marriage, or retirement.

Some workers are in the labor market during the entire year. They consist, in part, of workers who shift during the year between covered employment and noncovered employment, such as agricultural labor or domestic service. There are also workers who obtain only intermittent, casual, or seasonal employment and who are unemployed during the rest of the year. Another sector is made up of low-paid workers, who earn less than \$200 primarily because of low wage rates, but probably also because of less than full-time employment.

The problem of acquiring insured status will vary for each of these groups. The new workers can be expected to have an employment and earnings experience over a period of time which will enable them to acquire fully insured status and protection for themselves and their dependents or survivors. Whether or not workers who leave covered employment during the year will have acquired insurance protection will depend on the

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¹ Figures in the text on the number earning less than \$200 are slightly larger than in the tables, because they include workers whose sex, race, and/or age were unknown or who held railroad retirement account numbers.

amount and distribution of their complete covered employment and earnings experience in relation to the requirements for insured status. Students, for example, can be expected to obtain insurance protection as they become permanently employed. Married women, however, whose employment may continue to be casual or incidental may never qualify for benefits on the basis of their own wage records. Some of them, undoubtedly, will obtain insurance protection on the basis of their husbands' wage records.

Workers in the labor market throughout the year who move into and out of covered employment, represented primarily by workers in agriculture and domestic service, may not be able to obtain insurance protection, since only part of their total earnings are counted toward benefits. In the same way, workers who continue to earn less than \$200 because of intermittent, casual, or seasonal employment are least likely to be insured at death or at retirement, although some will obtain 40 quarters of coverage over a period of time and thus be permanently fully insured. A fraction of those who die prior to attaining permanently insured status may be currently insured and thus obtain protection for their survivors. Wage earners who receive less than \$200, primarily because of low wage rates, will, in large part, obtain insurance protection unless their employment and earnings experience becomes discontinuous. They will be eligible at best, however, for benefits only at minimum amounts.

Continuity of Employment

Although complete data on the characteristics of these fairly distinct types of workers with small earnings are not available, certain information on the continuity of employment and earnings is available for several types. For any one year, workers earning less than \$200 may be classified according to the wages received in the preceding or following year, i. e., those whose records show no wages, earnings of approximately the same amount, or higher wages. Such data were obtained from a sample of workers with wages of less than \$200 in at least one year during 1937-39.

The first group comprises those who earned less than \$200 under the program in 2 consecutive years. This group constituted approximately one-third of all workers earning under \$200 during the 1937-39 period (table 1). This proportion, of

Table 1.—Old-age and survivors insurance: Percentage distribution of workers with taxable wages of less than \$200 and less than \$100 in a specified year, by wage group in previous or following year, 1937-39¹

Wage group and year	Percentage distribution of workers with taxable wages of—	
	Less than \$200	Less than \$100
Wages of specified amount in 1938 and—	100	100
No wages in 1937.....	38	44
Same wage group in 1937.....	32	23
Higher wage group in 1937.....	30	33
Wages of specified amount in 1939 and—	100	100
No wages in 1938.....	47	52
Same wage group in 1938.....	36	27
Higher wage group in 1938.....	17	21
Wages of specified amount in 1937 and—	100	100
No wages in 1938.....	46	62
Same wage group in 1938.....	36	26
Higher wage group in 1938.....	18	22
Wages of specified amount in 1938 and—	100	100
No wages in 1939.....	35	42
Same wage group in 1939.....	36	27
Higher wage group in 1939.....	29	31

¹ Based on sample of 48,000 workers with taxable wages of less than \$200 in at least 1 year of 1937-39 period.

course, would undoubtedly be much lower over a period of years than it is for 2 consecutive years. This group consists in large part of married women and students; it also includes workers who year after year shift between noncovered and covered employment, as well as those who are able to obtain only casual, intermittent, or seasonal employment, usually at low wage rates.

The second group, new workers and workers reentering employment after at least a year's absence, i. e., those who had no wages in 1937 but had wages in 1938, constituted 38 percent of all workers who earned under \$200 in 1938 (table 1). In 1939, workers who had no wages in 1938 represented a larger proportion of the under-\$200 group. This change probably resulted from better job opportunities for all workers. This group is composed in large part of young workers who entered the labor market for the first time, although it also includes individuals who were formerly in domestic or agricultural service as well as older workers who had been unemployed.

The third group is made up of workers who were credited with more than \$200 in the preceding year. In 1938, 30 percent of the workers earning less than \$200 had earned more than this amount in the preceding year. In 1939, this proportion was only 17 percent of the total earning under \$200 (table 1). Decline in general business activity is an important determinant of the proportion (table 2) and number of workers who, though earn-

Table 2.—Old-age and survivors insurance: Percentage distribution of workers with taxable wages of less than \$200 in a specified year and with higher wages in previous or following year, 1937-39¹

Wage group and year	Percentage distribution of workers by wage group in previous or following year—					
	Total	\$200-399	\$400-599	\$600-999	\$1,000-1,999	\$2,000 or more
Wages of less than \$200 in 1938 and higher wages in 1937.....	100	40	23	23	13	1
Wages of less than \$200 in 1939 and higher wages in 1938.....	100	50	22	20	7	1
Wages of less than \$200 in 1937 and higher wages in 1938.....	100	54	24	17	4	1
Wages of less than \$200 in 1938 and higher wages in 1939.....	100	46	26	21	6	1

¹ See table 1, footnote 1.

ing more in preceding years, failed to earn \$200 in a given year. Ill health, disability, retirement from the labor market, shifts to noncovered employment, or obsolescence of a particular skill during the year are other factors which would cause declines in annual income.

The fourth group are those who received no wages in the succeeding year. Of those who earned less than \$200 in 1937, 46 percent did not work in 1938; of those who were found in that interval in 1938, 35 percent did not work in 1939. It is believed, however, that a considerable number of those who worked in 1937 but not in 1938 obtained employment in 1939.

The last group are those who earned more than \$200 in the following year (table 1). These are mainly new workers whose wages in their first year of work were low. The influence of business conditions is very pronounced with respect to the number of these workers as well as the extent of increase in their earnings. This is indicated by the greater increase in their earnings (table 2) as well as the larger number in 1939 than in 1938.

The intermittent, casual, and seasonal nature of the employment of these workers is indicated by the fact that, for any given year, from 70 to more than 80 percent showed earnings of under \$200 in 2 consecutive years or no earnings at all in the following year. The large proportion earning low wages and the relatively small number of quarters during the year in which these workers were employed give further proof of the transitory character of their employment. Approximately 45 percent of this group earned less than \$50, and more than 65 percent earned less than \$100 during

1939. Of the group of workers who showed earnings in 1 year but none in the succeeding year, about three-fourths reported less than \$100 in the year in which they had any credited wages. This finding is to be expected, since those who earn annually under \$100 represent, to an even greater degree, workers who obtain only occasional employment.

In 1938, more than half the workers earning under \$200 worked in 1 quarter only (table 3) while 62 percent of those who earned under \$100 worked in 1 quarter only.² A further indication of the highly intermittent and seasonal character of the employment of the low-wage earners may be found in the comparison of the quarterly distribution of their earnings with those of workers receiving \$200 or more. Whereas 80 percent of the workers who earned less than \$200 in 1938 worked in 2 quarters or less, only 10 percent of the workers earning \$200 or more had the same employment experience.

Race, Sex, and Age Characteristics

Proportionately, nearly twice as many Negro as white workers earned under \$200 in taxable wages in 1937 and 1939.³ Of the total of 29.9 million white workers who received wages in 1939, 6.7 million or 22 percent earned less than \$200. On

² A small proportion of these workers were probably new workers who entered covered employment in the fourth quarter of 1938.

³ 1938 data available by race only for 13 States. See Franklin, Charles L., "Characteristics and Taxable Wages of Negro Workers, 13 Selected Southern States, 1938," *Social Security Bulletin*, Vol. 4, No. 3 (March 1941), pp. 21-31.

Table 3.—Old-age and survivors insurance: Percentage distribution of workers with taxable wages of less than \$200, and percent which these workers are of all workers, by number of quarters in which wages were received and by sex, 1938¹

Number of quarters	Percentage distribution			As percent of workers in specified group		
	Total	Male	Female	Total	Male	Female
Number of workers.....	7,705,324	4,811,660	2,893,664	-----	-----	-----
Total.....	100.0	100.0	100.0	24.9	21.6	33.3
1 quarter.....	50.6	51.8	48.8	89.7	86.9	95.1
2 quarters.....	30.0	29.8	30.2	55.2	50.0	66.5
3 quarters.....	12.3	11.8	13.0	20.9	17.6	29.1
4 quarters.....	7.1	6.0	8.0	3.1	2.4	5.0

¹ Based on 1938 employee data; see *Old-Age and Survivors Insurance Statistics, 1938, 1940*.

the other hand, there were 42 percent of the Negroes in this low-wage interval, or 925,000 of the 2.2 million Negroes (table 4).

Women workers were also in a much less favored position than men. Over 30 percent of all women workers earned under \$200 in each year during the 1937-39 period compared with approximately 20 percent of the men (table 3). A much larger proportion of women than men worked in only 1, 2, or 3 quarters during 1938. Sex differences in the proportion who earned under \$200 annually were fairly constant during the 1937-39 period (table 4).

During each of the 3 years a large fraction of those earning under \$200—about 45 percent—were less than 25 years old (table 5), but the proportion decreased in 1938 from 1937. The decrease is largely due to contraction of job opportunities during 1938 when younger workers desired to enter the labor market. This decline would have been greater if wages of the younger workers had not decreased in 1938 proportionately more than those of the older workers, with the result that a greater proportion of workers under 25 years of age who had been earning more than \$200 failed to earn as much as \$200.

In 1939, a greater proportion of the workers in each age group under age 30 than in the older age groups earned less than \$200 (chart 1). In the older age groups beginning with 45 there was a tendency for the proportion of low-paid workers to increase. In the same year, 18 percent of the 800,000 workers in the age group 60-64 earned less than \$200. More of these than of young workers

Table 5.—Old-age and survivors insurance: Percentage distribution of workers with taxable wages of less than \$200, and percent which these workers are of all workers, by age group, 1937-39¹

Age group (years)	Percentage distribution ¹			As percent of workers in specified group		
	1937	1938	1939	1937	1938	1939
Number of workers earning less than \$200	6,739,521	7,055,350	7,570,388			
All ages	100.0	100.0	100.0	21.0	24.8	23.6
Under 25	48.1	45.1	45.6	34.9	41.6	40.1
25-44	37.4	39.6	38.7	15.5	18.9	18.0
45 and over	14.5	15.3	15.7	14.0	17.8	16.7

¹ See table 4, footnote 1. Data also exclude workers of unknown age.

drop out of covered employment each year, and their earnings show a greater inclination to decline to less than \$200 from one year to the next. In fact, the decline in 1938 was 50 percent greater for the older wage earners than for all workers, and in 1939 it was 75 percent greater. As might be expected, a much smaller proportion of workers aged 60-64 who earn under \$200 in any one year gain wage credits of more than \$200 in the following year.

Geographic and Industrial Characteristics

In the more industrialized States, where average annual taxable wages are comparatively high, a relatively small proportion of the total workers earned under \$200 (chart 2). In 9 States of the industrial North, East, and Middle West in which the proportion of total workers earning under \$200 was less than 20 percent, average annual taxable

Table 4.—Old-age and survivors insurance: Number and percentage distribution of workers with taxable wages of less than \$200 and percent which these workers are of all workers, by sex and race, 1937-39¹

Sex and race ²	Number of workers			Percentage distribution			As percent of workers in specified group		
	1937	1938	1939	1937	1938	1939	1937	1938	1939
Total	7,039,082	7,705,324	7,595,823	100.0	100.0	100.0	21.7	24.9	23.7
White	6,138,978	(3)	6,671,033	87.2	(3)	87.8	20.3	(3)	22.4
Negro	900,104	(3)	924,790	12.8	(3)	12.2	40.2	(3)	41.5
Male	4,343,151	4,811,660	4,740,729	61.3	62.4	62.4	18.5	21.6	20.6
White	3,612,400	(3)	4,008,187	51.3	(3)	52.8	16.8	(3)	18.9
Negro	700,751	(3)	732,542	10.0	(3)	9.6	37.6	(3)	39.5
Female	2,725,931	2,893,664	2,855,094	38.7	37.6	37.6	30.0	33.3	31.7
White	2,526,578	(3)	2,662,846	35.9	(3)	35.1	29.1	(3)	30.8
Negro	199,353	(3)	192,248	2.8	(3)	2.5	52.9	(3)	51.8

¹ Based on data which excludes workers holding railroad retirement account numbers and workers whose sex and/or race is unknown. Data for 1939 are not fully comparable with those for 1937 and 1938 because they include only 97.2 percent of estimated total number of workers. For statement

of method by which 1939 data were derived, see the Bulletin, April 1941, pp. 3-4.

² White includes all races other than Negro.

³ Not available.

wages ranged from \$840 to \$1,048. On the other hand, in the agricultural South and West, where there is more seasonal and intermittent work and where wage rates are lower, a large percentage of employees have only small amounts posted to their accounts. In 26 States in these areas, 30-50 percent of all workers earned under \$200, while the average annual taxable wage ranged from \$435 to \$786. It should be pointed out, however, that, although the proportions of workers with low earnings are highest in States in the agricultural South and West, the States of New York, Pennsylvania, and California each had larger absolute numbers of persons earning under \$200 than any other State and together accounted for 23 percent of the total for the entire country.

In every State, furthermore, proportionately more women than men and in all but three States more Negro than white workers earned less than \$200 in 1939. For women, these proportions ranged from 20 percent in Connecticut to 55 percent in Arkansas, while for men they ranged from 12 percent in Connecticut to 46 percent in Mississippi. Negro workers earning under \$200 in 1939 varied from 19 percent of all Negroes in West Virginia to 59 percent in Delaware. For white workers, the range was from 14 percent in Connecticut to 42 percent in Arkansas.

Industry differences are important in studying the characteristics of the low-paid worker. Variations by type of industry are pronounced and definite. For example, in the highly seasonal construction industry, 37 percent of all workers earned less than \$200 in 1939 (table 6). This proportion was even higher in the division of general contracting other than building construction, amounting to 48 percent of all the workers so employed in 1939. The trade and service industries are also examples of activities in which workers experience a wide seasonal variation in employment. In retail general merchandise, a division of the trade industry group, the majority of all workers earned under \$200 and their average annual taxable wage amounted to only \$49.

Industries which employed the largest proportion of workers earning under \$200 also had the largest proportion of workers earning wages in 2 quarters or less. All the industries having a high proportion of workers earning under \$200, except the construction industry, normally attract many women workers during certain seasons of

the year. These industries, moreover, engage a large proportion of workers who have never previously been employed. As a result, the percentage who work 2 quarters or less per year as well as those who earn under \$200 is increased.

The number and proportion of low-wage earners varies considerably according to sex and race within each industry. Proportionately more white men earned under \$200 in 1939 in construction, trade, and service (table 6) than in the other industries; the largest number, however, was found in manufacturing (table 7). Although the highest proportions of Negro men were also

Chart 1.—Old-age and survivors insurance: Percent of workers in each age group with taxable wages of less than \$200, by sex and race, 1939

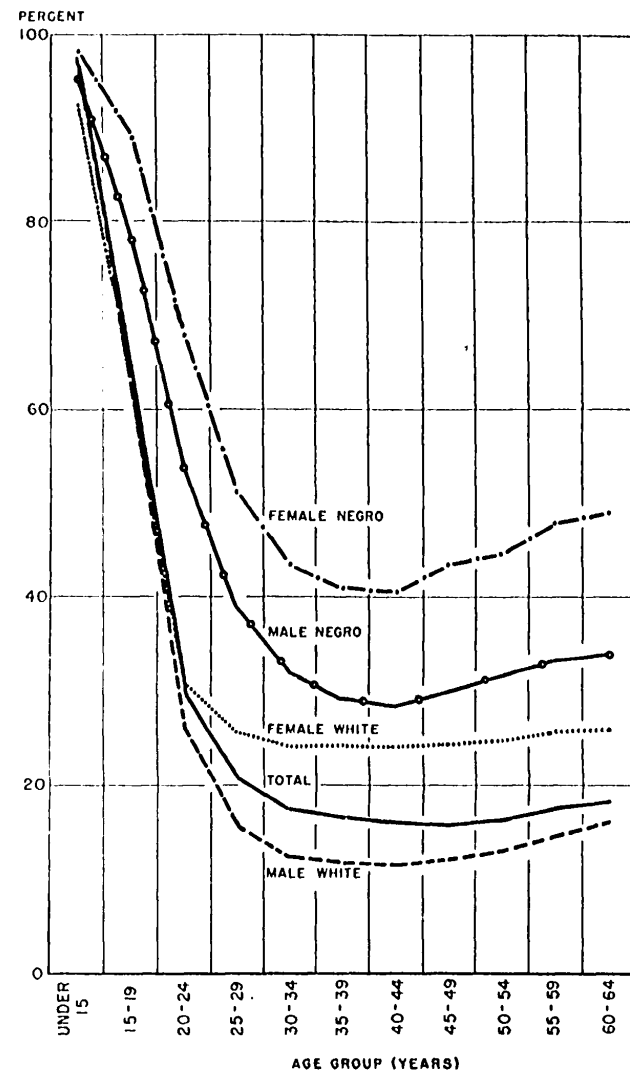


Table 6.—Old-age and survivors insurance: Percent which workers with taxable wages of less than \$200 are of all workers, by major industry group, sex, and race, 1939¹

Major industry group	As percent of workers in specified group								
	Total			Male			Female		
	All races	White	Negro	All races	White	Negro	All races	White	Negro
All industries ²	24	22	42	21	10	40	32	31	52
Mining and quarrying.....	16	15	24	16	15	24	23	22	42
Contract construction.....	37	34	59	37	34	50	26	25	67
Manufacturing.....	17	16	32	13	12	29	25	25	49
Transportation.....	21	18	43	21	18	43	25	24	66
Public utilities.....	15	14	38	17	18	37	11	11	51
Trade.....	31	30	48	25	23	44	43	43	65
Finance.....	12	11	40	10	9	39	15	15	46
Insurance.....	11	10	31	11	10	27	12	11	40
Real estate.....	21	20	33	21	19	31	23	21	41
Holding companies.....	15	15	25	14	14	27	20	20	18
Service.....	33	31	43	29	28	41	38	37	47
Professional services.....	22	21	43	22	20	39	22	21	47

¹ See table 4, footnotes 1 and 2.

² Includes workers in miscellaneous and unclassified industries.

found in the construction, trade, and service industries, more than twice as many Negro as white men were found in transportation (other than railroads). As in the case of white men, however, the largest number of Negro men earning less than \$200 a year was found in manufacturing.

Both the number and percentage of white women earning less than \$200 are highest in the trade, service, and manufacturing industries. In manufacturing, one-third were employed in the manufacture of food, a highly seasonal industry. In trade, two-thirds were employed in retail general merchandising, which has a wide seasonal variation in labor requirements. Although a very large proportion of the Negro women earned less than \$200 in 1939, the group comprised less than 200,000 workers. Most of them worked in

the service, manufacturing, and trade industries, in which many of the workers earned under \$200 annually. More than one-half of the Negro women engaged in manufacturing in 1939 were in food manufacturing, a much higher proportion than for white women.

Conclusions

Because of their heterogeneous composition and shifting nature, the large number of workers who earn less than \$200 each year does not, of itself, indicate that any significant proportion of all covered workers will necessarily be excluded from benefits, or that these workers will necessarily be eligible only for the minimum benefits.

Those earning under \$200 in a given year who

Table 7.—Old-age and survivors insurance: Percentage distribution of workers with taxable wages of less than \$200, by major industry group, according to sex and race, 1939¹

Major industry group	Total			Male			Female		
	All races	White	Negro	All races	White	Negro	All races	White	Negro
Total ²	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Mining and quarrying.....	2.3	2.4	1.6	3.6	3.9	2.1	.2	.2	.1
Contract construction.....	9.9	9.3	14.5	15.8	15.3	18.3	.4	.4	.3
Manufacturing.....	29.4	29.9	26.0	27.5	27.6	26.0	32.8	33.3	26.0
Transportation.....	2.0	2.6	5.2	4.3	4.0	6.4	.6	.6	.8
Public utilities.....	2.0	2.1	1.0	2.4	2.7	1.2	1.2	1.3	.4
Trade.....	30.5	31.2	24.0	25.4	25.8	23.5	38.5	39.1	25.9
Finance.....	.4	.5	.3	.4	.4	.3	.5	.5	.2
Insurance.....	.7	.7	.6	.6	.6	.5	.8	.8	1.1
Real estate.....	1.5	1.3	2.3	1.6	1.5	2.1	1.1	1.0	2.7
Holding companies.....	.4	.5	.1	.5	.6	.1	.3	.3	.1
Service.....	18.9	18.3	23.5	17.3	17.0	19.0	21.6	20.2	40.2
Professional services.....	1.1	1.2	.9	.6	.6	.5	2.0	2.0	2.2

¹ See table 4, footnotes 1 and 2.

² Excludes workers in miscellaneous and unclassified industries.

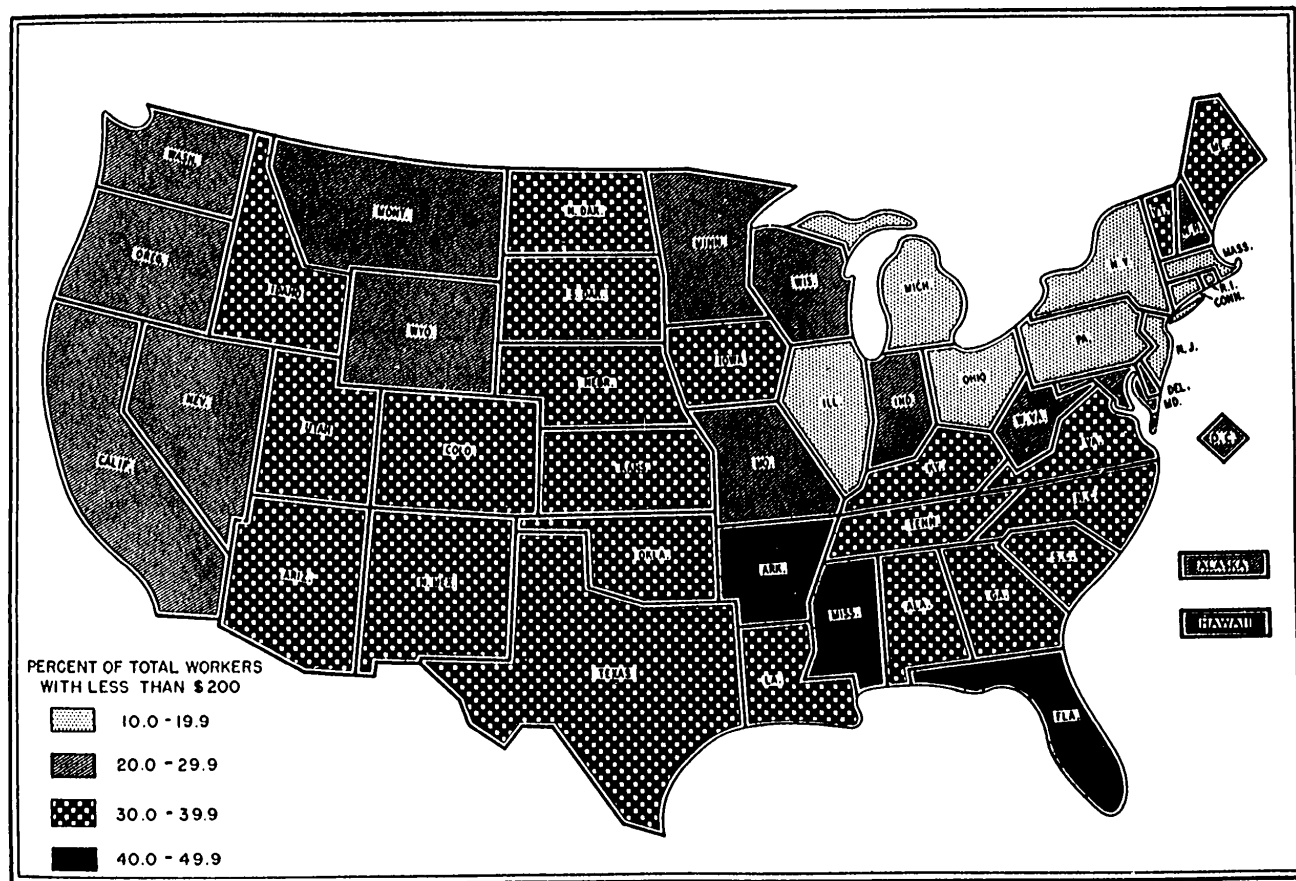
earned no wages in the preceding year and higher wages in the following year are to a large extent younger workers just entering the labor market. They can be expected to acquire fully or currently insured status as they obtain more steady employment under the program.

The workers who earn less than \$200 year after year will comprise only a relatively small proportion of the workers who earn under \$200 in any one year and are the least likely to be insured. Their significance in terms of insurance rights, moreover, is less than their proportion would indicate. The group composed in part of married women who have insurance protection on the basis of their husbands' wage records contains, as well, individuals whom the qualifying requirements eliminate from insurance protection, namely, those workers whose earnings in covered employment are only of an incidental nature.

Persons earning less than \$200 in covered employment in one year who are out of covered employment in the following year may not gain insurance rights under the present requirements. There will always be some individuals who will not receive insurance benefits, since their participation in covered employment is so small and of such a discontinuous nature. Workers who earn under \$200 in one year but who formerly earned more will probably not lose their insurance protection. The mere fact that they earn under \$200 in any one year may have little effect on their insurance status or the size of their benefits.

The group of workers earning under \$200 in 1939 contained a high proportion of young workers and relatively more Negro than white workers and more women than men. These Negroes and white women are in a considerably less favorable situation than are white men. A much larger

Chart 2.—Old-age and survivors insurance: Percent of workers with taxable wages of less than \$200, by State, 1939



percentage of all workers in the predominantly agricultural States of the South and West, furthermore, were in this group. Extension of coverage to agricultural and domestic workers would make it possible for many of these workers to qualify for benefits.

The widely varying percentages of workers earning less than \$200 a year in the various industries indicate that workers in some industries have a better chance of attaining insurance protection than workers who continue over a period of years to be attached to other industries. Workers, however, who now obtain only seasonal and intermittent employment often improve their chances of attaining insured status by shifting to a permanent employment status in some covered

industry. Moreover, some workers may attain insured status by getting steady employment in the same industry.

Because of the highly changing nature of the work and earnings experience of low-paid wage earners over a period of years, it is not possible to draw definite conclusions from the limited data available at present as to their ability to obtain insurance protection. Insurance protection at any one time, furthermore, is of much more value to workers who are primarily responsible for the support of the family than it is to workers who only supplement the family income. This latter group, namely, young adults and married women, comprises a large part of all workers who earn less than \$200 a year.