

self would be entitled to through her own tax payments. The maximum amount that this retired couple may receive is \$1,631 each, a total pension of \$3,262 per year. A pension of this amount, discounted at 4 percent to age 65, is worth \$35,500, and their cost-benefit ratio is 30 percent.

Married women workers are a significant group in the total labor force, and their numbers have been growing rapidly. In 1940 there were only 7 million married women workers in a labor force of approximately 56 million persons. In 1964 there were about 20 million married women workers (including widows) out of a total labor force of some 74 million. In most cases, a married woman worker will not have worked long enough or at high enough wages to earn an old-age benefit that is larger than the amount she would automatically be entitled to as a wife (half her husband's benefit). A woman worker retiring in 1967 must be employed at least $3\frac{1}{4}$ years in order to be eligible for benefits of her own, and 8 years' wages must be averaged to compute benefits. If she has worked over $3\frac{1}{4}$ years, but less than 8 years, zeros are counted for the years in which she was not employed, and her benefits will tend to be low. In the future, the law provides that a woman born after 1928 be employed at least 10 years to be eligible for benefits on reaching age 65 and that wages for 35 years be averaged as a basis for her benefits.

How have retired persons who have earned less than the maximum wage base fared under the Federal old-age insurance program? A worker, retiring in 1967, who has paid taxes on three-quarters of the maximum base since 1937 has paid old-age taxes worth \$3,947. He and his wife would be eligible for an annual pension of \$2,023. Such a pension is worth just over \$22,000, and his cost-benefit ratio is 18 percent, as compared with 20 percent for the worker who has paid the maximum tax. If he has paid one-half the maximum tax since 1937, the cost-benefit ratio would be 15 percent. The lower cost-benefit ratios for persons with wages below the maximum wage base are intentional. The social security law does not reduce their benefits in proportion to the taxes paid in.²

Self-employed persons, another distinct group under the social security program, have relatively low cost-benefit ratios because their tax rate is one and a half times the employee's tax rate (or three-fourths the combined employee-employer tax rate). Also, they were first included in 1951. The purpose of the lower tax rate on the self-employed was to avoid overtaxing the self-employed relative to those working for an employer, on the assumption that the entire tax on the employer is not shifted to the employee. Table 2 shows that the

² Although the law provides for higher cost-benefit ratios for persons with higher average annual incomes up to the maximum wage base, there are several offsetting factors that may, in fact, reduce cost-benefit ratios for the higher income groups and raise them for the lower income groups. Higher income groups probably live longer on the average than lower income groups and thus collect benefits for a longer period of time. Also, the exclusion of social security old-age benefits from Federal income taxation raises the benefits of higher income groups relative to the taxes paid in. Eventually persons with low incomes will pay in taxes for a larger number of years because they typically start to work at a younger age. Also, if there is a larger percentage of working couples among lower income groups than among higher income groups, this would tend to raise cost-benefit ratios for the lower income groups. In addition, the work income test which excludes some persons who work after 65 from receiving old-age benefits may affect the lower income groups more adversely than the upper income groups.