Historical Development

The U.S. social welfare structure has been shaped both by long standing traditions and by changing economic and social conditions. In its early history, the United States was an expanding country with a vast frontier and a predominantly agricultural economy. Up to 1870, more than half the Nation's adult workers were farmers. In the years that followed, however, industry developed rapidly and the economy tended increasingly to be characterized by industrialization, specialization, and urbanization. The result was a Nation of more employees who were dependent on a continuing flow of money income to provide for themselves and their families.

From the earliest colonial times, local villages and towns recognized an obligation to aid the needy when family effort and assistance provided by neighbors and friends were not sufficient. This aid was carried out through the poor relief system and almshouses or workhouses. Gradually, measures were adopted to provide aid on a more organized basis, usually through cash allowances to certain categories among the poor. Mothers' pension laws, which made it possible for children without paternal support to live at home with their mothers rather than in institutions or foster homes, were adopted in a number of States even before World War I. In the mid-twenties, a few States began to experiment with old-age assistance and aid to the blind.

Meanwhile, both the States and the Federal Government had begun to recognize that certain risks in an increasingly industrialized economy could best be met through a social insurance approach to public welfare. That is, the contributory financing of social insurance programs would ensure that protection was available as a matter of right as contrasted with a public assistance approach whereby only those persons in need would be eligible for benefits.

In the United States, as in most industrial countries, social insurance first began with workers' compensation. A Federal law covering civilian employees of the Government in hazardous jobs was adopted in 1908, and the first State compensation law to be held constitutional was enacted in 1911. By 1929, workers' compensation laws were in effect in all but four States. These laws made industry responsible for the costs of compensating workers or their survivors when the worker was injured or killed in connection with his or her job.

Retirement programs for certain groups of State and local government employees—mainly teachers, police officers, and fire fighters—date back to the 19th century. The teachers' pension plan of New Jersey, which was established in 1896, is probably the oldest retirement plan for government employees. By the early 1900's, a number of municipalities and local governments had set up retirement plans for police officers and fire fighters. New York State and New York City set up retirement systems for their employees in 1920—the same year that the Civil Service Retirement System was set up for Federal employees.

Another area where the Federal Government accepted an early responsibility was in the provision of benefits and services for persons who served in the Armed Forces. These veterans' benefits at first consisted mainly of compensation for the war-disabled, widows' pensions, and land grants. Later, emphasis was placed on service pensions and domiciliary care. Following World War I, provisions were made for a full-scale system of hospital and medical care benefits.

Development of U.S. programs has been pragmatic and incremental, formulated in response to specific problems, and characterized by a great degree of decentralization.

The development of social welfare programs has been strongly pragmatic and incremental. Proposals for change are generally formulated in response to specific problems rather than to a broad national agenda. A second characteristic of U.S. social welfare policy development is its considerable degree of decentralization. Some programs are almost entirely Federal with respect to administration, financing, or both; others involve only the States (with or without participation of local government); still others involve all three levels of government. The important role played by the private sector is another aspect of decentralization in the development of American social welfare programs. The private sector shares a large role in the provision of health and medical care and income maintenance benefits in the form of employment related pensions, group life insurance, and sickness payments.

The 1935 Social Security Act

The severe Depression of the 1930's made Federal action a necessity, as neither the States and the local communities nor private charities had the financial resources to cope with the growing need among the American people. Beginning in 1932, the Federal Government first made loans, then grants, to States to pay for direct relief and work relief. After that, special Federal emergency relief and public works programs were started. In 1935, President Franklin D. Roosevelt proposed to Congress economic security legislation embodying the recommendations of a specially created Committee on Economic Security. There followed the passage of the Social Security Act, signed into law August 14, 1935.

Dependency status of the population aged 65 or older, 1937

Number (in thousands)	7,620
Percent	100
Self-dependent	35.1
Dependent	66.0
Public/private assistance	18.5
No income	47.5

This law established two social insurance programs on a national scale to help meet the risks of old age and unemployment: a Federal system of old-age benefits for retired workers who had been employed in industry and commerce, and a Federal-State system of unemployment insurance. The choice of old age and unemployment as the risks to be covered by social insurance was a natural development, since the Depression had wiped out much of the lifetime savings of the aged and reduced opportunities for gainful employment.

The Act also provided Federal grants-in-aid to the States for the means-tested programs of Old-Age Assistance, and Aid to the Blind. These programs supplemented the incomes of persons who were either ineligible for Social Security (Old-Age and Survivors Insurance) or whose benefits could not provide a basic living. The intent of Federal participation was to encourage States to adopt such programs.

The law established other Federal grants to enable States to extend and strengthen maternal and child health and welfare services, and these grants became the Aid to Families with Dependent Children program, which has been replaced in 1996 with a new block grant program for Temporary Assistance for Needy Families. (The Act also provided Federal grants to States for public health services and services of vocational rehabilitation. Provisions for these grants were later removed from the Social Security Act and incorporated into other legislation.)

OASDI Changes Since 1935

The Old-Age Insurance program was not actually in full operation before significant changes were adopted. In 1939,

Social Security Act

Title I	Grants to States for Old-Age Assistance
Title II	Federal Old-Age Benefits
Title III	Grants to States for Unemployment Compensation Administration
Title IV	Grants to States for Aid to Dependent Children
Title V	Grants to States for Maternal and Child Welfare
Title VI	Public Health Work
Title VII	Social Security Board
Title VIII	Taxes with Respect to Employment (for Old-Age Insurance)
Title IX	Tax on Employers of Eight or More (for administration of unemployment compensation)
Title X	Grants to States for Aid to the Blind
Title XI	General Provisions

Congress made the Old-Age Insurance system a family program when it added benefits for dependents of retired workers and surviving dependents of deceased workers. Benefits also became first payable in 1940, instead of 1942 as originally planned.

No major changes were made again in the program until the 1950's, when it was broadened to cover many jobs that previously had been excluded—in some cases because experience was needed to work out procedures for reporting the earnings and collecting the taxes of persons in certain occupational groups.

The scope of the basic national social insurance system was significantly broadened in 1956 through the addition of Disability Insurance. Benefits were provided for severely disabled workers aged 50 or older and for adult disabled children of deceased or retired workers. In 1958, the Social Security Act was further amended to provide benefits for dependents of disabled workers similar to those already provided for dependents of retired workers. In 1960, the age-50 requirement for disabled-worker benefits was removed. The 1967 amendments provided disability benefits for widows and widowers aged 50 or older.

The 1972 amendments provided for automatic cost-of-living increases in benefits tied to increases in the Consumer Price Index (CPI), and created the delayed retirement credit, which increased benefits for workers who retire after the normal retirement age (currently age 65).

The 1977 amendments changed the method of benefit computation to ensure stable replacement rates over time. Earnings included in the computation were to be indexed to account for changes in the economy from the time they were earned.

The 1983 amendments made coverage compulsory for Federal civilian employees and for employees of nonprofit organizations. State and local governments were prohibited from opting out of the system. The amendments also provided for gradual increases in the age of eligibility for full retirement benefits from 65 to 67, beginning with persons who attain age 62 in the year 2000. For certain higher income beneficiaries, benefits became subject to income tax.

The amendments in 1994 raised the threshold for coverage of domestic workers' earnings from $50 per calendar quarter to $1,000 per calendar year (with $100 amount increments after 1995, as average wages rise).

Other Program Changes

By the 1930's, private industrial pension plans were far more developed in the rail industry than in most other businesses or industries; but these plans had serious defects that were magnified by the Great Depression.

While the Social Security system was in the planning stage, railroad workers sought a separate railroad retirement system that would continue and broaden the existing railroad programs under a uniform national plan. The proposed Social Security system was not scheduled to begin monthly benefit payments for several years and would not give credit for service performed prior to 1937, while conditions in the railroad industry called for immediate benefit payments based on prior service.

Legislation was enacted in 1934, 1935, and 1937 to establish a railroad retirement system separate from the Social Security program legislated in 1935. While the railroad retirement system has remained separate from the Social Security system, the two systems are closely coordinated with regard to earnings credits, benefit payments, and taxes. The railroad unemployment insurance was also established in the 1930's.

Other programs also made advances in the period since 1935. In 1948, the last of the States adopted a workers' compensation program. The laws relating to work-connected accidents gradually improved the provisions for medical benefits and rehabilitation extension services.

During the 1940's, four States adopted legislation providing weekly cash sickness benefits to workers who are temporarily disabled because of nonoccupational illness or injury. For Federal civilian employees, programs were enacted providing group life insurance in 1954 and health insurance benefits in 1959. Since then, an increasing number of State and local government jurisdictions initiated retirement programs for their employees. At present more than 75% of all State and local employees are covered both by the basic national OASDI program and by a supplementary State or local system.

As a result of World War II and the Korean conflict, special veterans' legislation was enacted, with primary emphasis on assisting ex-servicepersons to adjust from military to civilian life. Not only were the older compensation and pension benefits available to World War I veterans carried forward, but veterans were provided vocational rehabilitation, unemployment allowances, educational and training benefits, and job placement services.

One of the most important pieces of social legislation was the establishment of the Medicare program under the Social Security Amendments of 1965. The program provided for the medical needs of persons aged 65 or older, regardless of income.

The 1965 legislation also created Medicaid (Federal grants to States for Medical Assistance Programs). Medicaid provides medical assistance for persons with low incomes and resources. It replaced the former programs of medical vendor payments to public assistance recipients and medical assistance for medically needy persons aged 65 or older. Both Medicare and Medicaid have been subject to numerous legislative changes since 1965.

The public assistance provisions of the Social Security Act were also broadened. In 1972, the State-administered cash

Development of U.S. Social Security Programs

1935	Social Security Old-Age Insurance; Unemployment Insurance; and Public Assistance programs for needy aged, and blind (replaced by the SSI program in 1972); and Aid to Families with Dependent Children (replaced with block grants for Temporary Assistance for Needy Families in 1996)
1934	Railroad Retirement System
1937	Public Housing
1939	Social Security Old-Age and Survivors Insurance
1946	Natonal School Lunch Program
1950	Aid to the Permanently and Totally Disabled (replaced by the SSI program in 1972)
1956	Social Security Disability Insurance
1960	Medical Assistance for the Aged (replaced by Medicaid in 1965)
1964	Food Stamp Program
1965	Medicare and Medicaid Programs
1966	School Breakfast Program
1969	Black Lung Benefits Program
1972	Supplemental Security Income Program
1974	Special Supplemental Food Program for Women, Infants, and Children (WIC)
1975	Earned Income Tax Credit
1981	Low-Income Home Energy Assistance
1996	Temporary Assistance for Needy Families

assistance programs for the aged, blind, and disabled were replaced by the essentially federally administered Supplemental Security Income (SSI) program.

Other assistance programs not included in the Social Security Act were also broadened or new ones added. The Food Stamp program was enacted in 1964 to improve the nutrition of low-income families. Other nutrition programs include the Special Supplemental Food Program for Women, Infants, and Children (WIC) and school breakfasts and lunches. In addition, Federal-State programs provide home energy assistance, and public and subsidized housing.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193) resulted in significant changes to public assistance programs. The Aid to Families with Dependent Children program has been replaced by block grants to the States for Temporary Assistance for Needy Families. The legislation also has substantial implications for the SSI and Medicaid programs, which is explained in the individual program sections.

Although there is no system of family allowances in the United States, workers with dependent children are given deductions in the computation of their Federal income tax liability, and the working poor receive an additional reduction in their tax liability. Free public education is available to all children through secondary schools.