

details as conditions of work, degree of risk involved, and nature of the business must be furnished by all employers. Each insured worker, as proof of his registration, will receive a card carrying the basic information necessary for identifying him and his dependents.

About 300,000 workers and 15,000 employers

in the Federal District are covered by the compulsory insurance provisions, but not agricultural workers and government employees, who are excepted for the present. Provisions authorized in the act for the voluntary insurance of certain groups who do not come within the compulsory insurance system are also to be put into effect.

*A Basic Minimum Program of Social Security**

THE PURPOSE of a comprehensive program of social security is simple. Basically, it is to enable the working population to maintain economic independence throughout the cycle of family life by distributing the return from labor over the periods in which breadwinners can earn and those in which they cannot; at any one time, contributions made by the many who are subject to the risk are available to compensate the relatively few who at that time are suffering its impact. In addition, there must be systematic measures to assure the subsistence of persons who have not been able to share in social security provisions based on work or who have met with extraordinary individual catastrophes.

It is not the aim of social security to provide a lifetime bonus. Social insurance represents, rather, a safeguard against economic hazards besetting the long road of self-support and family support, which is arduous and risky for most in any working generation. Among workers, as among a party of mountain climbers, some at any moment will have a secure foothold, while others, except for the safety rope, would slip to disaster. Some persons in each generation are not able to share in gainful work while some others at any given time will not have acquired an insurance stake commensurate with their individual needs. For these, public assistance, representing the effort of the entire population, provides a secondary safeguard to the maintenance of personal and social integrity.

The major functions of a program of social security are therefore to cope with wage losses arising from the interruption or cessation of earnings and to remedy deficiencies in the personal

resources of individuals who lack the means of subsistence. Rights to insurance stem from the individual's previous participation in work; rights to assistance, from his current need. Since capacity and opportunity to work are the foundation of both individual and national security, public measures to prevent and care for sickness and to assure access to jobs are essential to organized programs of social security.

The existence of opportunities for work is governed, of course, by basic economic factors beyond the scope and control of the social security system. Insurance and assistance payments facilitate the smooth and orderly operation of economic forces by augmenting purchasing power when and where it is most needed. A comprehensive and flexible system of social security thus enables individuals, and aids communities and the Nation as a whole, to adjust to the changes and dislocations which are inherent even in progress. When disaster threatens, the system is all the more necessary.

Progress under the Social Security Act has been more substantial than its proponents would have dared to predict 8 years ago. The provisions of law and the process of administration have been tested through an arc of widely differing economic conditions in years of depression, recovery, and war. The objectives of the program have been found in accord with the traditions and desires of the American people. Nearly all the principles incorporated in the original law and the 1939 amendments have proved sound and workable. On the other hand, certain minor provisions have been found cumbersome or defective, and experience has demonstrated one major fault in the design of the program. Certain gaps in its provisions, recognized and postponed for later action

*Excerpt from *Eighth Annual Report of the Social Security Board for the fiscal year 1942-43*, pp. 31-45.

by those who were responsible for the formulation of the program, have become increasingly evident as it has developed.

No one can doubt that victory will bring sharp and sudden changes in all the factors in American life with which the social security program is concerned. Whether that time comes sooner or later, it is now none too soon to design and implement the social security provisions which will be needed during the demobilization of war industry and the armed forces, later readjustments to peacetime conditions, and the more remote future. If the program is to fulfill the anticipations and expressed desires of those who look to it—on battle fronts abroad and in homes and factories within our own borders—such consideration is needed now. The following pages outline in brief and general terms the areas in which, in the opinion of the Board, the program must be extended, changed, or implemented if it is to play its part now and in the years just ahead.

Social Insurance

A comprehensive system of social insurance would include provisions to compensate part of the involuntary loss of earnings experienced by the working population for any common reason beyond the control of individual workers. Such reasons may be grouped into those which cause prolonged or permanent loss of earnings—old age, death, and permanent disability of the wage earner, and those which cause more or less temporary interruption of earnings—unemployment and sickness. An approach to both types of risks is made under the Social Security Act through the provisions for old-age and survivors insurance and for unemployment compensation. In the opinion of the Board, the existing measures need revision and extension. The act contains no provision for offsetting wage losses due to sickness and disability except those incurred in old age.

Old-age and survivors insurance.—The fundamental limitation of this Federal insurance program is its restriction of coverage, the extent and character of which have been outlined in earlier pages. The Board believes that the wartime situation gives particular urgency to its recommendation that coverage be extended to agricultural workers, domestic workers in private homes, employees of nonprofit organizations, and self-employed persons. The high levels of current

employment and earnings now would make it possible for many workers to pay contributions and thus gain insurance rights which they may not be able to acquire in future years, in particular the older workers who may be in need of retirement provision when the war ends and younger men return to civilian life. Extension of coverage would not entail serious administrative difficulties. For appropriate groups, it might be effective to use a stamp system, under which employers purchase stamps at post offices or from rural mail carriers to place in a book which evidences the contributions made by workers and employers. Extension of the basic protection of old-age and survivors insurance to public employees—Federal, State, and local—would also be feasible and would round out insurance protection of survivors, now lacking to nearly all these employees, and provisions for old-age retirement, now unavailable to many, and would assure continuity of rights. Extension should be made in such a way as not to endanger any rights of these workers under existing special systems and to increase, not lessen, the total insurance protection available to them.

An immediate problem related to coverage arises from the situation of the millions of persons now in the armed forces. Because of the eligibility provisions and the method of computing benefits under the program, the insurance protection which servicemen and women may have acquired before their induction will be partly or wholly used up, and the amount of potential benefits payable to them or to their survivors will diminish. Servicemen and women have protection against death while in service, or after service from service-connected causes, in the form of benefits provided under veterans' legislation; in some cases, survivors of veterans who die while in service will be eligible for both veterans' benefits and old-age and survivors insurance benefits. After discharge from service, however, many veterans will be without any survivorship protection in the event of death from non-service-connected causes. The problem with respect to veterans who live to retirement age is less acute, since very few who leave military service after the war will be ineligible for old-age and survivors insurance benefits because of their military service, and, though benefit amounts will be somewhat reduced in all cases, the amount of the reduction will be small. Moreover, the great majority of

the present members of the armed forces will not reach retirement age for many years. As a solution to the problems with respect to the armed forces, the Board recommends the adoption of provisions which will equitably protect potential insurance rights developed before entrance into the armed forces and which will give equitable wage credits based on periods of national service in lieu of private employment. Such provisions should be accompanied by appropriate arrangements to reimburse the insurance system out of general funds of the Treasury.

The Board is also prepared to offer recommendations with respect to changes in the present program which would strengthen its protection and remove certain anomalies, inequities, and administrative complexities. Among changes to improve adequacy are those which relate to the age at which benefits become payable to women, the amount and conditions for payment of parent's benefits, the conditions for payment of lump-sum death benefits, the maximum amount of all benefits payable with respect to the wages of an insured worker, and the recomputation of benefit amounts after an application for primary benefits has been filed.

Since wives are ordinarily younger than their husbands, the qualifying age of 65 for receipt of a wife's benefit often works hardship on aged couples when the husband must or wishes to give up work on reaching retirement age, while the benefit for his wife is not payable until several years later. There is little doubt that the proportion of women who are unable to engage in regular employment at age 60 is larger than the proportion of men at age 65. A minimum qualifying age of 60 years, rather than the present 65, would therefore be desirable for wives of primary beneficiaries, for women workers who claim benefits in their own right, and for widows of insured workers.

At present, benefits to children aged 16 and 17 must be suspended if the child fails to attend school regularly and attendance is feasible. Since ordinarily it is found that school attendance is not feasible for the older children who are not in school, the Board recommends deletion of this requirement, which results in a large number of fruitless investigations.

Unemployment insurance.—The course of events since Pearl Harbor has emphasized what had become increasingly evident in prior years—that em-

ployment and unemployment are no respecters of State lines. When the social security program first came under discussion, it was argued that establishment of State systems for unemployment compensation would afford an opportunity for experimenting in different types of unemployment insurance and for adapting State systems to the widely varying economic conditions of the different States. It was also pointed out that the Federal-State system itself should be regarded as an experiment. Both the present world situation and the results of 4 years' full operation of all State programs now make it urgent to evaluate experience.

Serious administrative complexities are inherent in the present basis of operation because of the duplication of effort on the part of various Federal and State agencies concerned with the collection of contributions and maintenance of wage records for social insurance purposes. The multiple system of tax collection is unduly costly in terms of public expenditures and expenses of employers for tax compliance. Nearly all establishments are subject to Federal contribution for old-age and survivors insurance, the Federal unemployment tax, and contributions under one or more State unemployment compensation laws. On the other hand, some small employers are not subject to the Federal unemployment tax, though liable for Federal old-age and survivors insurance contributions and unemployment contributions under State law. A few are subject only to the last and not to any Federal tax. When an employer is taxable by both Federal and State governments, the respective coverage does not necessarily relate to the same employees or the same amounts of wages. An interstate employer may be required to make reports to several different States on different forms, under different instructions, and at different rates. He may not be sure in which State a worker is covered. Triplicate tax collections must be made—by the Federal Government for the two Federal insurance taxes and by the State unemployment compensation agencies. Duplicating wage records are necessarily maintained by the Federal Government for purposes of old-age and survivors insurance and by the State unemployment compensation agencies.

Difficulties and conflicts in administration also result from the present division of responsibilities for unemployment insurance between the Federal

Government and the States. Federal grants to States under the Social Security Act supply the total costs of "proper and efficient administration" of State laws. The State agency is responsible for administering the State law; it spends Federal money without responsibility for providing the funds. The Social Security Board must ascertain that the funds have been used in accordance with the terms of the Federal law, yet it lacks authority to prescribe methods which have proved economical and efficient without infringing on the responsibility of the State. Appropriate discharge of the responsibility of one agency almost inevitably conflicts with the responsibility possessed by the other.

Of greater importance is the increasing evidence that the Federal-State system results in great diversity in the protection afforded against the risk of unemployment. Development of unemployment insurance under the 51 separate laws of the States and Territories has resulted in serious discrepancies in the adequacy of the provisions for unemployed workers in various parts of the country. It has also resulted in a segregation of insurance reserves under which there is a possibility that some States may become insolvent while other States have unnecessarily large reserves. The variations in contribution rates now permissible under the Social Security Act through State provisions for experience rating place disproportionate burdens on employers in interstate competition and set a penalty on the efforts of any particular State to improve its benefit standards and a premium on measures to restrict payments to workers.

In the opinion of the Social Security Board, these and other discrepancies, complexities, and lacks in the existing Federal-State program all lead to a single conclusion—that the origin and character of mass unemployment and of measures to combat it are such that responsibility for unemployment insurance cannot safely be divided among 51 separate systems. Evidence accumulates daily on the extent to which the tides of employment and unemployment are governed by Nation-wide or world-wide conditions. The conditions of employment within the United States are and will be governed largely by circumstances which only the Federal Government can influence—for example, policies concerning the cancellation of war contracts and demobilization of the armed forces. Because

of the differences in size and economic structure, the States are not equally sound financial units for unemployment insurance purposes. To ensure payments of benefits to qualified unemployed workers in any part of the country, reserves segregated in 51 funds must be far larger, in the aggregate, than would be necessary if the total were available to pay benefits wherever the claims originated.

The early discussion of adapting unemployment insurance to the particular conditions of a State overlooked the fact that variations in wage scales, types of industry, risks of unemployment, and other important factors are at least as great within States as among the 51 jurisdictions participating in the present program. A national system under which benefits are a proportion of wages, as is the case under the Federal old-age and survivors insurance system, effects an automatic adjustment of benefit payments to differences in pay scales in different areas. Present differences among the States in coverage, benefit provisions, and assets available for benefits bear little consistent relation to underlying economic differences.

The Board therefore is of the opinion that administration of unemployment insurance should be made a Federal responsibility in order to gear unemployment compensation effectively into a comprehensive national system of social security. Only Nation-wide measures to counter unemployment can be effective when the need arises for swift and concerted action to harmonize insurance activities with national policy during the change-over of our economic system to peace. At that time, any need for quick and unforeseen changes obviously can be met far more effectively by Nation-wide policy and by a single act of Congress than through the action of 51 administrative agencies and the necessarily cumbersome process of amending as many separate laws.

Even if the special stresses of post-war years were not impending, the Federal-State basis of the unemployment compensation program would have merited reconsideration and revision at this time. The actual course of its operation during a relatively favorable period of years has given no indication, in the opinion of the Board, that it possesses the advantages which it was hoped thus to achieve; on the contrary, experience has marshaled impressive evidence of its flaws and shortcomings. Incorporation of unemployment in-

insurance in a unified national system of social insurance would result, the Board believes, in a program far safer, stronger, and more nearly adequate from the standpoint of unemployed workers and the Nation, and would permit more economical and effective methods of administration.

Losses and costs of disability.—Loss of earnings from permanent and total disability has been widely accepted in other countries, and under retirement plans in this country, as a risk paralleling loss of earnings in old age. The worker who is permanently disabled in youth or middle age is in very much the same situation as the worker incapacitated by age, except that his need for insurance may be even greater because he has had less time to accumulate savings while his responsibilities for family support are likely to be greater. The Board recommends that insurance against permanent total disability be incorporated in the Federal system of old-age and survivors insurance and extended to all covered by that system under provisions, including benefits to dependents, which would follow the general pattern of this Federal program.

Cash benefits for temporary sickness and the early period of disabilities which may later prove permanent would strike at another serious cause of poverty and dependency. The Board believes that such provision is a feasible and needed adjunct to the social security program. Compensation of disability would be most effective and also most readily administered if provisions for both types of benefits were coordinated, so that the worker who had received the maximum number of weeks of benefits for temporary disability and was still incapacitated could continue to receive compensation, with appropriate adjustment of levels of benefits to the duration of disability. A unified system of disability compensation merits careful consideration.

Costs of medical care, as has been pointed out, are a peculiarly appropriate field for insurance provisions, since the problem does not lie in the average annual cost but in the uneven and unpredictable incidence of a risk to which nearly all the population is subject. These costs, as well as losses of earnings, constitute an important direct factor in causing dependency. Moreover, there is impressive evidence that the barrier of currently meeting costs of medical care keeps many indi-

viduals from receiving services which might prevent or cure sickness and disability and postpone death. From the standpoint of the general welfare and of safeguarding public funds for insurance, assistance, and public services provided in dependency, the Board believes that comprehensive measures can and should be undertaken to distribute medical costs and assure access to services of hospitals, physicians, laboratories, and the like to all who have need of them. For all groups ordinarily self-supporting, such a step would mean primarily a redistribution of existing costs through insurance devices. It should be effected in such a way as to preserve free choice of doctor or hospital and personal relationships between physicians and their patients, to maintain professional leadership, to ensure adequate remuneration—very probably, more nearly adequate than that in customary circumstances—to all practitioners and institutions furnishing medical and health services, and to guarantee the continued independence of nongovernmental hospitals.

A comprehensive unified system of social insurance.—The present recommendations of the Board would result in the establishment of a single comprehensive system of social insurance with provisions for compensating a reasonable portion of wage losses due to unemployment, sickness and disability, old age, and death, and a considerable part of the expense of hospital and medical services. It is believed that all these types of insurance should include specific provisions not only for the insured worker himself but also, as is now the case in old-age and survivors insurance, for his wife or widow and his dependent children. The system should cover all persons who work for others, including the large groups of agricultural and domestic workers now almost wholly without social insurance protection and, except probably for unemployment compensation and temporary disability insurance, farmers and other self-employed persons. It is difficult to extend insurance against unemployment or temporary disability to self-employed persons, because of the problem of determining whether interruption of work has resulted in loss of income.

A unified system which is comprehensive with respect to both the risks and the population included would close the gaps and obviate the overlaps that result from variations and restrictions in the multiplicity of existing Federal, State, and

local provisions for social insurance purposes. This result would be of special importance not only in ensuring protection for workers who now lack any insurance coverage, but also for improving the levels of benefits for those whose employment has been partly outside the coverage of a given system and those whose covered employment has been interrupted by periods of unemployment or disability. It would be feasible to remedy the disparities and inequities in benefits of different types, gearing all benefits to levels of earnings and presumptive requirements, with respect both to the short or long-term character of the risk and the worker's family responsibilities.

A comprehensive national system, moreover, would make possible much greater simplicity and economy in operation. One system for collection of contributions would suffice. One employer report and one set of wage records would supply the information needed for computation of benefits. One local administrative office could maintain contacts with workers, claimants, and employers, with respect to all the types of insurance. Administration of such a system should, in the opinion of the Board, be decentralized, with advisory councils and appeals boards in the several States.

The costs of a comprehensive system are not great in relation to the return to be anticipated in national and individual protection and the alternative costs now borne directly and indirectly by individuals, employers, and the general public. For at least the first decade, the current cost for all types of the benefits mentioned above would be more than met by a rate of 12 percent of covered earnings for employers and employees combined, as compared with the combined standard rate of 7 percent payable by employers and workers for insurance programs under the Social Security Act beginning January 1944. If the total is divided equally between employers and workers, there would be an increase from 5 percent to 6 percent in the basic employer rate and from 2 percent to 6 percent in the rate for employees. The 4-percent increase for employees does not exceed the present average annual cost of medical care among wage-earning families, without allowance for the uncompensated wage losses they experience from such causes and other contingencies for which the system would provide. When account is taken of the increases already scheduled in the Federal

Insurance Contributions Act by 1949, the proposed 12 percent would mean no increase in employer rates and an addition of 3 percent of wages for employees. If all employees were covered and, except for unemployment and temporary disability insurance, all self-employed persons, future costs of public assistance would be considerably lightened.

Since a rise in current expenditures for old-age and survivors benefits is to be anticipated for some decades to come and a similar cumulating increase would occur in long-term benefits for permanent total disability, the rate of 12 percent may become insufficient after a decade or more to meet total benefit expenditures under such a program. The Board recommends that any costs in excess of 12 percent should be met by a Federal contribution to the system, and that eventually employers, workers, and the Federal Government should each bear one-third of the cost.

The Board believes that social insurance is essentially national in character. In the course of a working lifetime, many individuals move from State to State. Congress determined that the maintenance of lifetime records of earnings, among other considerations, pointed to the desirability of a national system of old-age and survivors insurance. Similar problems would be involved in the long-term risk of permanent total disability. Experience in the operation of the Federal-State unemployment compensation system has made it clear that protection of current-risk programs is weakened by segregation of separate State funds and that administrative complexities and costs are increased by the existence of separate State systems. Since the cost of social insurance is met in considerable part from pay rolls, the presence or absence of particular insurance programs and differences in the rates of contributions for existing programs both serve to create unfair interstate competition when programs are on a State basis.

The Board is not unmindful that the program here proposed would entail modifications of many existing arrangements for social insurance and related programs as well as the establishment of new mechanisms in areas where none now exists. It has given study and thought to many of the particulars which would be involved in implementing this plan or some modification of it, and is prepared to offer more specific information and

recommendations should these be desired by the Congress.

Public Assistance

In public assistance, as contrasted with social insurance, the Board believes that there is a strong presumption in favor of State programs. The costs of assistance are met from general revenues, rather than on the basis of pay rolls, and payments are made on the basis of current individual need. Since, however, the Federal Government shares assistance costs under the Social Security Act, it must be concerned that the basis and extent of Federal participation are such as will effect the purpose of the social security program.

Special types of public assistance.—The most serious lack in operations under present provisions of the Social Security Act is that evidenced by inadequacies of assistance in many collaborating States. A major factor underlying this situation, as has been pointed out, is the uniform-matching basis of Federal grants for the needy aged, children, and the blind, in combination with the inequalities in State resources for assistance. The present basis of Federal financial participation has not served effectively to diminish State differences in the availability of assistance to needy persons; at its worst, it has heightened these differences in some respects. The Board therefore recommends consideration of a variable-matching basis, under which the Federal grant-in-aid would cover more than half the total cost in States which themselves have only small economic resources.

The studies made by the Board during the past 8 years lead to the conclusion that State per capita income, as indicated in annual estimates now prepared regularly by the Federal Government for other purposes, affords a reasonable basis for objective measurement of State differences in economic and fiscal capacity. It might be found feasible, for example, to continue the Federal grant at 50 percent of expenditures under an approved State assistance plan for States in which per capita income is at or above the national per capita. When average income in a State is below the national average, the Federal grant to the State might be increased accordingly. For example, if per capita income in a State is only half that in the country as a whole, the Federal

share in assistance costs might be twice that of the State.

It would be appropriate to require, as a condition of Federal grants, that the States themselves make similar adjustments among localities which share assistance costs under Federal-State programs. The Board also believes that it would be reasonable to require, as a condition of approval of the State assistance plan, elimination of State residence requirements for recipients of assistance. Legal settlement in a locality has long been a characteristic condition of eligibility for older forms of public aid since, typically, all costs of relief were met by localities. The Social Security Act specifies maximum State residence requirements which may be imposed in a State plan that is approved by the Social Security Board, and that some State funds be provided even though there is local financial participation. If an increased part of the total assistance cost is borne by Federal funds, it would seem reasonable to eliminate State residence requirements.

Among the three assistance programs now maintained under the Social Security Act, the gravest inadequacies are in aid to dependent children. Studies of the Board lead to the conclusion that need among children is at least as great as that among the aged, while aid actually given for children is only a fraction of that for the aged in terms of either the number of recipients or the total amounts. Serious limitations in the availability of Federal funds for needy children arise under two conditions of the Federal act: the restriction in the situations in which Federal matching funds may be used and in the amounts of individual payments to be matched. The Social Security Board recommends that Federal funds under the Social Security Act be available for use under approved plans for children who are needy for any reason whatever, not merely, as at present, for those who have been deprived of parental care or support by reason of the death, absence, or incapacity of the parent. The Board also recommends elimination of the Federal maximums, under which matching Federal funds now can be used only within the limits of \$18 a month for the first child and \$12 for each additional child aided in the same home. States may and do provide larger amounts when they are able; in the latter half of 1942, total Federal funds for aid to dependent children represented only 67 cents per

dollar of total State and local funds, in contrast to 99 cents for old-age assistance and 92 cents for aid to the blind. The limitation of Federal matching, however, has restricted aid to children in States which have been unable or unwilling to assume the whole cost of adequate payments; in many instances, these are the States with only small resources and relatively large numbers of children in their population.

At the present time, matching funds may not be used in payments to needy children aged 16 and 17 unless the child is attending school regularly. The Board believes that the requirement of school attendance should be eliminated. Suitable schools for older children are lacking in some areas, and for other reasons school attendance may not be feasible or even desirable.

Under all three assistance programs a serious lack arises from the fact that matching Federal funds may not be used to meet costs of medical care given to recipients, except as such costs can be included in the monthly payment to the recipient without restriction of any part of that payment for this particular purpose. The unpredictability and unevenness of medical costs and the maximum on the amount of Federal matching, as well as the limitations of State resources, necessitate a more flexible method of meeting medical needs of persons receiving assistance. In many instances, such care might aid recipients in regaining self-support and thus lessen or obviate their need for continued assistance; about one-third of the children accepted for aid are in need because of the physical or mental incapacity of the parent, and about one-fourth of the persons receiving aid to the blind in the 20 States for which this information is available could profit by some type of medical treatment to improve or conserve vision.

The Board recommends that matching Federal funds be made available to pay medical agencies and practitioners for the costs of medical services and supplies provided for recipients of assistance. Federal reimbursement might well be based on combined costs incurred within a State for medical services to recipients under all assistance programs. If arrangements are adopted for medical services to be provided through a comprehensive social insurance system, State assistance agencies could collaborate effectively with the insurance authorities by making equitable payments so that

these services would be available to assistance recipients under whatever arrangements had been developed with physicians, hospitals, and others to furnish services for the insured population.

General assistance.—General assistance is now the only financial recourse for needy incapacitated adults other than the aged and the blind and for families which depend upon marginally employable persons, whose earnings are insufficient to meet unusual strains on family income and whose rights, if any, to unemployment benefits are usually meager. It is used to meet many types of need arising from inadequacy of individual payments for the special types of assistance, gaps in the coverage of social insurance programs or inadequacy in the amount or duration of individual benefits, and risks for which there still is no insurance provision. At present, general assistance is administered by some 10,000 local units and, in considerable part, from only local resources.

Any decline in levels of employment may be expected to squeeze out the workers with the least skill and experience and hence the least likelihood of having insurance rights or savings. Wartime activities have been developed in many areas which are without local resources to meet the needs of families and individuals who would be stranded by any curtailment of these activities. Other communities which have benefited little from present economic conditions will be called upon to meet the needs of families stranded elsewhere without jobs or returning without funds to weather the period of readjustment. The present financial structure of general assistance in the United States and the legal and administrative arrangements which necessarily have been erected on this structure have proved unable to cope with demonstrated needs in many parts of the country.

The Board believes that Federal participation in general assistance, through matching Federal grants to the States under certain general conditions such as those provided for the special types of assistance, would go far toward remedying present deficiencies and toward effecting a unity and flexibility in public assistance as a whole which will be needed in coming years and the more distant future. It therefore is recommended that such grants be authorized under the Social Security Act.

The Need for Present Action

The security of a people rests upon all measures which enable individuals to live out their lives with personal satisfaction and independence—both those which protect the integrity and progress of the Nation as a whole and those which assure individual opportunities for health, education, work, and personal freedom. The area of responsibility delegated to the Social Security Board is a small, though basic, part of this whole. The proposals here outlined represent, in turn, a practicable minimum basis for equipping our social insurance and public assistance programs to play their part in the years just ahead.

It goes without saying that the American people prize most the security wrung from work and individual effort. Such effort and public and private action to assure the utmost expansion of work opportunities have been assumed throughout the preceding discussion as the foundation of all systematic measures for social security. These measures constitute, on the one hand, a device to aid the orderly progress of economic development and, on the other, a means of caring for economic casualties. It would be as unrealistic to assume that such casualties will be lacking in the better peace we hope to achieve after this war as it would have been to send out our armed forces without provision for the men who are wounded or become sick or disheartened under the stress of battle. As in a campaign of war, so in the campaign against insecurity it is not always possible to tell just where or when the greatest stress will come. We do know, however, the nature of the dangers which confront us and the general character of the weapons we can bring to bear against them. To fail to have such weapons in readiness is to invite needless suffering and disillusionment among the millions in our fighting forces, our factories, farms, mines, shops, and homes.

In the opinion of the Board, the present time is singularly auspicious for strengthening and extending our system of social insurance and assistance. With employment and earnings at record levels, millions of workers can and want to contribute toward making better provision for future contingencies in the form of social insurance against sickness, disability, unemployment, and old age. For many older workers, such an opportunity may not come again. The additional savings which workers could make now in the form

of social insurance contributions are of particular importance, since for those who suffer the risk, the protection of insurance is far greater than that which they can make for themselves through individual savings, while all have potential protection. By creating a reservoir of future purchasing power, to be drawn upon where and when it is needed, the extension of social insurance to additional groups of workers and additional risks would add substantially to the Nation's resources for weathering the inevitable readjustments of the post-war years. At the same time, increases in insurance contributions would lessen current inflationary pressures. The adjustment to higher contribution rates on the part of employers can be made far more readily now than at any time during the past decade and more or, so far as can be foreseen, in the years just following the war. A unified social insurance system would provide a comprehensive and flexible means of coordinating policy and action in this field with other governmental measures and with national programs of business and industry in effecting the transition to peace. It would make it possible for workers and employers to underwrite future contingencies which otherwise will have to be met, in many cases, through emergency aid.

At the same time, provisions to ensure adequate assistance to persons in need are urgently required. It is not now available in all parts of our country in even this period of wartime activity, and the end of the war may find many States hard-pressed to alleviate distress in communities and among groups whose way of life is suddenly changed. The recommendations of the Board envisage, primarily, methods of helping to improve levels of assistance in States which have small economic resources and to give the assistance program a needed flexibility through Federal grants to States for general assistance. These measures, the Board believes, are a necessary adjunct to even a comprehensive and well-established social insurance system. They are the more necessary in view of the fact that, at best, a considerable part of our population has had little or no opportunity to acquire any insurance rights to cover the economic risks common among workers' families, while the post-war readjustment will bring many additional problems.

It was not until 4 years after the Social Security Act became law in 1935 that unemployment insur-

ance was in effect in all States in the Union, and more than 4 years before the first old-age benefits were payable. Wage records had to be set up, reserves accumulated, and an administrative organization established. After some 8 years, not all States yet have all three assistance programs in operation. The process of establishing social provisions which affect the lives of millions of people is necessarily slow if progress is to be sound, well-considered, and economical. At the present time, the social security program is the richer for the

past years of effort and has resources in experience, training, organization, and methods tested by actual operation. Even so, however, it will take time to effect whatever provision the Congress finds desirable to correct past deficiencies and strengthen the program to meet future stresses. Whether one believes that the war will end in one year or five, the time in which to build a stronger system of social security is short in view of the character of the changes and readjustments we confront as individuals and as a people.

Trends in Disqualification From Benefits Under State Unemployment Compensation Laws

By Ewan Clague and Ruth Reticker*

IN HIS TALK BEFORE the Interstate Conference of Employment Security Agencies last October, the Chairman of the Social Security Board, Arthur J. Altneyer, called attention to the rapid and persistent trend of State legislation and State administration toward the imposition of more and more severe disqualifications on workers, and for an increasing number of causes. "Through the years," he said, "we have centered much attention on the amount of the average weekly benefit and the duration of benefits. These seemed to constitute the heart of the problem of improvement in the benefit structure. However, at the very time that many State laws were being liberalized in benefit rates and duration, the disqualification provisions were made much more restrictive in many State laws." The purpose of this article is to consider the trend in disqualifications as revealed in laws and benefit decisions and the implications of this trend for unemployment insurance.

Unemployment compensation is a program of benefits for workers unemployed through no intention or fault of their own. The purpose of disqualification provisions is merely to make certain that workers cannot obtain benefits by their voluntary action—collectively in going out on strike or individually in quitting work without

good cause or in remaining unemployed when suitable work is available. Disqualifications extend also to cases in which the worker is unemployed involuntarily but because of his own misconduct connected with his work. Beyond these four grounds—voluntary leaving without good cause, refusal of suitable work, participating in a labor dispute, and discharge for misconduct—disqualification should not go.¹ Yet ever since benefits have been paid under the State unemployment compensation laws, there has been an unmistakable trend toward more rigid disqualification provisions and more severe penalties for disqualification. It is clear that the trend is not merely a temporary adjustment to the wartime attitude that in a period of manpower shortage everyone should be at work and no one should be drawing benefits. In fact, some instances of flexibility in adjusting disqualification policy to the wartime problems of the drafted man will be cited; they are, however, definite exceptions to the long-run trend toward more severe disqualifications.

Trend Toward More Rigorous Disqualifications

The trend in disqualifications appearing in

*Mr. Clague is Director, Bureau of Employment Security, and Miss Reticker is a member of the Program Division. This article is based in part on an address by Mr. Clague before the Conference of General Counsel and Appeal Personnel of State Unemployment Compensation Agencies in Region VI, November 3, 1943.

¹ Provisions for disqualification for a particular week because of the receipt of other income are not true disqualifications. Although a claimant in receipt of benefits under another social insurance program may not be entitled to unemployment benefits, except insofar as the unemployment compensation benefit exceeds the other benefit, it seems unfortunate that deductions of benefits under other insurance programs have been classified as disqualifications.