

Social Security During and After the War: Recommendations of the Board's Ninth Annual Report

IN ITS *Ninth Annual Report* to Congress the Social Security Board offers comprehensive recommendations for strengthening the social security program to meet special strains of post-war reconversion and, as a necessary adjunct to a system of free enterprise, to afford continuing assurance of social stability and economic progress in the United States.

Old-Age and Survivors Insurance

For old-age and survivors insurance, the major recommendations are to extend coverage to all gainful workers now excluded—among them, agricultural and domestic workers, farmers and other self-employed persons, employees of nonprofit organizations, and Government employees—and to provide benefits for workers retired for permanent and total disability and their dependents. Special provision is needed to protect the insurance status of members of the armed forces. Benefits should be made more nearly adequate through increase in the benefit amounts of low-paid workers, reduction from 65 to 60 years in the qualifying age for women, and liberalization of the "work clause" which requires deduction of a benefit for any month in which the beneficiary, or other person on whose wage record the benefit is based, earns as much as \$15 in covered employment.

Unemployment Insurance

In unemployment insurance, the Board recommends that the Federal and State laws should be amended to include all firms in industries now covered, regardless of the size of the firm or the number of weeks in a year in which it operates. The impending shifts in the labor force as well as continuing needs of the groups concerned also point to the need for prompt extension of unemployment insurance to Federal employees, including war workers in Government shipyards, arsenals, and the like, and to maritime workers. Because of the special circumstances of the industry, coverage of maritime workers would

best be effected under a special Federal system.

Both wartime factors and experience in earlier years indicate, further, urgent need for improving the adequacy of unemployment benefits. Even though primary responsibility for administering unemployment compensation remains with the States, there is a basic national interest in the adequacy of unemployment insurance. In the absence of adequate provision, the Federal Government, as well as the States, may be called upon to establish measures less appropriate than unemployment compensation to deal with the consequences of temporary unemployment. "It appears," the report declares, "that if the overall national interest is to be served and workers are to be assured adequate protection against wage loss resulting from unemployment, through State laws, it will be necessary to extend the Federal Unemployment Tax Act to additional categories of employment and to incorporate in that act additional conditions to be met by State laws if employers contributing under those laws are to receive credit against the Federal tax."

Such conditions, the Board recommends, should ensure that all eligible claimants in all States will be entitled to 26 weeks' benefits in a benefit year; that maximum benefit amounts, including any allowance for dependents, will be at least \$25 a week; and that conditions which justify a temporary disqualification from benefits will not be used to cancel benefit rights. Payment of dependents' allowances, as in old-age and survivors insurance, would provide larger amounts for workers with heavier obligations at much less total cost than would be necessary if benefit scales for all workers were raised to a point which adequately recognizes family needs. All States, the Board believes, now have reserves which warrant improvement of their benefit provision, especially in view of Congress' recent authorization of Federal advances to States if their reserves should run low in the years immediately following the war.

Public Assistance

Major recommendations in public assistance deal with the scope and basis of Federal matching of assistance funds provided by the States and their localities. The Board recommends that Federal grants be provided for general assistance, as well as for the three special types of assistance, and that the present equal-matching provisions be modified to permit special Federal aid to States with comparatively small economic resources in relation to their assistance needs. Similarly, States should allocate Federal and State funds to localities so as to assure equitable treatment of needy individuals in all parts of the State. It is also recommended that Federal matching maximums for individual payments be removed for aid to dependent children and increased for old-age assistance and aid to the blind, and that Federal funds be made available to share part of the cost of medical services and supplies provided by medical agencies and practitioners to assistance recipients. Aid to dependent children should be broadened to provide for any needy child who is living in a family home, rather than only for children who have been deprived of parental support or care by the parent's death, absence, or incapacity.

The Board points out that many States have residence, citizenship, or other requirements for eligibility for assistance that prevent them from taking full advantage of the present matching provisions of the Federal act. Especially if Federal financial participation is extended to additional areas of need and is increased to form a larger part of the total in low-income States, these restrictions should be removed so that aid will be available to all needy persons. Effectiveness and economy would also be served, the Board believes, by unifying administration of the three special types of assistance and general assistance at both State and local levels.

The Board considers it of great importance that public assistance become better equipped to play its part in the transition to peace, when shifts in industry and in the labor force and large-scale movement of population will bear heavily on many low-income families. During even the war years, lack of sufficient funds for assistance in some States and Federal and State restrictions on assistance programs

have barred some needy groups from any access to public aid and have kept assistance payments in many places below the levels determined by the State as necessary to meet the recipient's need.

Disability and Medical Costs

In this as in earlier annual reports, the Board points out that the losses and costs arising from sickness and disability constitute, except in periods of widespread unemployment, the most important cause of poverty and dependency in the United States. In death rates and in life expectancy at many ages, especially the working ages, the United States has not yet achieved for its people an average security of life as great as that in some other nations with much smaller economic resources. In an ordinary year, sickness and disability cause a loss of some \$3-4 billion in earnings. Expenditures for civilian health and medical services, including hospital construction, total some \$4 billion a year, of which about four-fifths comes from private funds. Nevertheless, many families do not get needed care because they cannot pay the costs, and to many others these costs represent a heavy drain on family income.

The Board recommends, in brief, that Federal old-age and survivors insurance be extended to provide cash benefits, including provision for a worker's dependents, during permanent total disability, and that such cash benefits be provided also during brief periods of incapacity due to sickness or in the early period of disabilities which may prove permanent. Provisions for both types of disability benefits should be closely coordinated and careful consideration should be given to unifying administration.

The Board also recommends social insurance provisions to pool costs of medical and hospital care commonly borne by families and individuals. Through agreements with assistance agencies, such arrangements might also be used to finance care of recip-

ients of assistance. Administration of medical care insurance should be decentralized, should be worked out in collaboration with the professions, agencies, and institutions concerned, and should be guided by advisory councils composed of representatives of contributors and of the groups which furnish medical services.

A Comprehensive and Unified Social Security Program

The Board's recommendations for Federal and State action in public assistance would result in establishing, in each State, a comprehensive unified program open to all needy persons in the State whatever the reason for their need.

The recommendations for social insurance include measures which could be carried out by States acting alone or by the States and the Federal Government in collaboration or by Federal action.

The Board here reaffirms the belief expressed in its preceding *Annual Report* that the most effective and economical way to provide social insurance in the United States is through a single comprehensive national system, affording a basic minimum protection, with which special or additional programs would be coordinated. Such a system should not impair the protection under existing systems but should strengthen and complement present social insurance protection and extend it to many persons who now lack it.

A comprehensive basic system should afford insurance against involuntary loss of earnings for all the common reasons not within the control of individual workers—temporarily, during sickness or involuntary unemployment of the breadwinner, or for longer periods, during permanent disability or old age or at the worker's death. It should include medical care insurance. It should cover all gainfully occupied persons and their dependents, except that unemployment insurance and temporary disability

insurance, at least for the first few weeks of disability, cannot suitably be provided for self-employed persons since there is no practical test of their loss of earnings through "unemployment" or in brief periods of disability. Self-employed persons, however, should be covered by insurance against old-age dependency, death, permanent disability, and medical costs.

Such a system, established under Federal law, should be decentralized, operating through local offices. Advisory councils and appeals bodies—local, State, or Federal—should afford representation of the general public, workers and employers, and groups with a special interest in particular aspects of the program, such as the medical and related professions and the hospitals.

Workers and employers would deal with a single office for any aspect of the program. Only a single employer report and contribution would be required for social insurance purposes, and only a single wage record would need to be maintained for an individual. Employers who do not ordinarily keep wage records or make wage reports, including housewives who employ domestic workers and farmers with hired hands, could use a stamp-book system to pay and record contributions. For self-employed persons, reporting could be geared in with income-tax reporting.

Because the great majority of the population would be covered by such a comprehensive system, a Government contribution from general tax funds, as well as employer and employee contributions, would be warranted. Much of the cost of the additional forms of insurance proposed in the report, whether included in a single basic system or effected in other ways, would represent primarily a redistribution of costs now borne directly and with far greater difficulty by families which suffer sickness and disability, or borne by taxpayers to support public services and assistance for the needy.